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

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

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

VERY SUBSTANTIAL ACQUISITION
AND
ADOPTION OF SHARE OPTION SCHEME OF A SUBSIDIARY

Financial adviser to North Asia Strategic Holdings Limited

SOMERLEY LIMITED

A letter from the board of directors of North Asia Strategic Holdings Limited is set out on page 5 to 24 of the circular.

A notice convening a special general meeting of North Asia Strategic Holdings Limited to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Tuesday, 31st October 2006 is set out on pages 196 to 197 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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

13th October 2006

* *For identification purpose only*

CHARACTERISTICS OF GEM

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

"Acquisition"	the proposed acquisition of the Sale Shares by Best Creation from Autron and the AIP Vendors pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 2nd August 2006 (as supplemented and amended by the Supplemental Agreement) entered into among Autron, Best Creation and the Company in relation to the Acquisition
"AIP"	Autron India Private Limited, a company incorporated in India whose entire issued share capital is owned by the AIP Vendors
"AIP Sale Shares"	a total of 1,570,000 ordinary shares of INR10 par value each in the issued share capital of AIP beneficially owned by the AIP Vendors at Completion
"AIP Vendors"	(i) AGS Pte. Ltd.; and (ii) Autron (S.E.A.) Pte. Ltd., both being limited liability companies incorporated in Singapore and wholly-owned subsidiaries of Autron
"Amtec"	American Tec Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Autron
"Amtec Group"	Amtec and its subsidiaries
"Amtec Sale Shares"	a total of 60,000,000 ordinary shares of HK$1 par value each in the issued share capital of Amtec beneficially owned by Autron
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"ASX"	The Australian Stock Exchange Limited
"Autron"	Autron Corporation Limited, a company incorporated in Australia whose securities are listed on the Main Boards of both the SGX and ASX
"Autron Debt"	the total indebtedness incurred by or owing from members of the Autron Group to members of the Target Group
"Autron Group"	Autron and its subsidiaries

"Best Creation"	Best Creation Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Best Creation Group"	Best Creation and its subsidiaries
"Board"	the board of Directors
"Convertible Bonds"	the convertible bonds issued by the Company with total face value of HK$20.0 million and are convertible into new Shares at an initial conversion price of HK$0.1566 per Share (subject to adjustments)
"Company"	North Asia Strategic Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on GEM
"Completion"	completion of the Agreement
"Consideration"	US$60.0 million (equivalent to approximately HK$465.6 million), being the aggregate consideration for the Sale Shares pursuant to the Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the NAS Group after Completion
"Fuji"	Fuji Machine Manufacturing Co. Ltd., a company whose securities are listed on Nagoya Stock Exchange, Inc. in Japan
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	third parties independent of the Company and its connected persons (within the meaning under the GEM Listing Rules)
"Latest Practicable Date"	11th October 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

"NAS Group"	the Company and its subsidiaries
"PCB"	printed circuit board, printed wiring board or etched wiring board
"Placements"	the placements of Preference Shares completed by the Company in February, March and September 2006 (details of which are set out in the Company's announcements dated 30th December 2005 and 26th July 2006 and circulars dated 24th January 2006 and 17th August 2006)
"PRC"	the People's Republic of China
"Preference Shares"	the non-voting convertible preference shares of the Company
"Sale Shares"	the Amtec Sale Shares and the AIP Sale Shares
"Scheme"	the share option scheme proposed to be adopted by Best Creation for the full-time employees and directors of the Best Creation Group and other eligible participants, the adoption of which will be proposed for approval by the Shareholders at the Special General Meeting
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX"	The Singapore Exchange Securities Trading Limited
"Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"SMT"	the technology commonly known in the electronics industry as "surface mount technology", being certain methods for constructing electronic circuits by which the components are mounted directly onto the surface of PCBs
"Special General Meeting"	the special general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition and the adoption of the Scheme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreement"	the supplemental agreement entered into between the Company, Autron and Best Creation on 5th October 2006, pursuant to which certain terms of the Agreement were supplemented and amended
"Target Group"	the Amtec Group and AIP
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"INR"	Indian Rupee, the lawful currency of India
"S$"	Singapore dollars, the lawful currency of Singapore
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, unless otherwise stated, translation of S$ into HK$ have been made at the rate of S$1 to HK$4.972, and translation of US$ into HK$ have been made at the rate of US$1 to HK$7.76. Such exchange rates are for the purpose of illustration only and does not constitute a representation that any amounts in S$, US$ or HK$ have been, could have been, or may be converted at such or any other rate or at all.

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8080)

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

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

Registered Office:
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Bermuda

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

13th October 2006

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

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND ADOPTION OF SHARE OPTION SCHEME OF A SUBSIDIARY

INTRODUCTION

On 11th August 2006, the Board announced that on 2nd August 2006, the Company, Best Creation and Autron entered into the Agreement pursuant to which Best Creation has conditionally agreed to acquire the Sale Shares from Autron and the AIP Vendors for a cash consideration of US$60.0 million (equivalent to approximately HK$465.6 million). The Consideration is subject to adjustment with reference to the audited net asset value of the members of the Target Group as at 30th June 2006. The Target Group is principally engaged in the business of trading in SMT and PCB assembly equipment, machinery and spare parts and the provision of related installation, training, repair and maintenance services.

* *For identification purpose only*

On 6th October 2006, the Company announced that it had entered into the Supplemental Agreement with Autron and Best Creation on 5th October 2006, pursuant to which certain terms of the Agreement were supplemented and amended to the effect that, among other things, Completion is to be conditional on, among other conditions, the full settlement of the Autron Debt and further post-completion undertakings by Autron are added.

The Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules and is subject to approval by the Shareholders. As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, none of Autron, the AIP Vendors and their respective associates was holding any Share. On the assumption that none of the above persons becomes a Shareholder during the period from the Latest Practicable Date up to and including the date of the Special General Meeting, no Shareholder will be required to abstain from voting on the resolution to be proposed at the Special General Meeting to approve the Acquisition.

Best Creation proposes to adopt the Scheme allowing its directors to grant options to subscribe for shares in Best Creation to selected participants as incentives or rewards for their contribution to the Best Creation Group. According to Chapter 23 of the GEM Listing Rules, the Scheme must be in compliance with the provisions of that Chapter and must be subject to the approval of the Shareholders in general meeting. For this reason, an ordinary resolution will be proposed at the Special General Meeting for the approval of the Scheme. Under the GEM Listing Rules, the Company is required to provide you with information reasonably necessary to enable you to make an informed decision as to whether to vote for or against the ordinary resolution for approving the Scheme to be proposed at the Special General Meeting.

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and the Scheme, financial information of the NAS Group, the Target Group and the Enlarged Group, and a notice to convene the Special General Meeting, at which ordinary resolutions will be proposed to approve the Acquisition and the adoption of the Scheme.

THE AGREEMENT (as supplemented and amended by the Supplemental Agreement)

Date: 2nd August 2006 (as supplemented and amended on 5th October 2006)

Parties:

Vendor : Autron

Purchaser : Best Creation, a wholly-owned subsidiary of the Company

Guarantor: the Company, as guarantor for the obligations of Best Creation under the Agreement

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Autron, its subsidiaries (including the AIP Vendors) and its substantial shareholders (within the meaning of the GEM Listing Rules) (i.e. altogether, Messrs. Tan Cheng Leong, Wu Man Fan and Lim Tock Yen) are Independent Third Parties. Autron is a Singapore-headquartered company listed on the Main Boards of both the SGX and the ASX. As set out in the announcement of Autron dated 13th September 2006 on Autron's results for the year ended 30th June 2006, the Autron Group is a leading total solutions provider of assembly equipment and services to the electronics industry.

Assets to be acquired:

Subject to the terms of the Agreement, Autron shall sell, and shall procure the AIP Vendors to sell, the Sale Shares to Best Creation, and Best Creation shall purchase the Sale Shares from Autron and the AIP Vendors free from all encumbrances or third party rights of whatsoever nature and with all rights attached thereto on or after 1st July 2006 (including the right to receive all dividends and distributions declared, made or paid on or after 1st July 2006 but excluding the special dividends (if any) to be declared and paid by Amtec to Autron before Completion).

The Sale Shares comprise:

(i) the Amtec Sale Shares, being a total of 60,000,000 ordinary shares of HK$1 par value each in the issued share capital of Amtec, representing the entire issued share capital of Amtec; and

(ii) the AIP Sale Shares, being a total of 1,570,000 ordinary shares of INR10 par value each in the issued share capital of AIP, representing the entire issued share capital of AIP at Completion.

As at the date of the Agreement, the total issued shares of AIP held by the AIP Vendors were 429,900 ordinary shares of INR10 each representing the then entire issued share capital of AIP. Before Completion, further new shares of AIP will be issued to the AIP Vendors towards capitalisation of the amounts due from AIP to the AIP Vendors. As a result, a total of 1,570,000 ordinary shares of INR10 par value each in the issued share capital of AIP will be beneficially owned by the AIP Vendors, being the entire issued share capital of AIP, immediately before Completion.

Consideration:

US$60.0 million (equivalent to approximately HK$465.6 million), subject to adjustments as described below. The Consideration shall be allocated between the Amtec Sale Shares and the AIP Sale Shares as follows:

(i) US$59,000,000 for the Amtec Sale Shares; and

(ii) US$1,000,000 for the AIP Sale Shares.

It is a term of the Agreement that:

(i) the consolidated net assets of the Amtec Group as at 30th June 2006 (the "Amtec NAV") shall not be less than HK$60.0 million; and

(ii) the net assets of AIP as at 30th June 2006 (the "AIP NAV") shall not be less than S$96,000 (equivalent to approximately HK$477,312).

In the event that the Amtec NAV or the AIP NAV as shown in their respective audited financial statements made up to 30th June 2006 is less than HK$60.0 million and S$96,000 (equivalent to approximately HK$477,312) respectively and if Best Creation shall elect to complete the purchase of the Sale Shares, then the Consideration shall be adjusted downwards by the shortfall in the respective amount of the Amtec NAV or the AIP NAV on a dollar for dollar basis. The required minimum amount of the Amtec NAV of HK$60.0 million has been determined with reference to the consolidated net asset value of the Amtec Group as at 30th June 2005 of approximately HK$147.6 million, taking into account the anticipated results of the Amtec Group for the year 2005/2006 (when those are available), and the special dividend which would be declared and paid by Amtec to Autron before Completion to offset part of the Autron Debt. The required minimum amount of AIP NAV of S$96,000 (equivalent to approximately HK$477,312) has been determined with reference to the unaudited net asset value of AIP as at 30th June 2006 according to its unaudited management accounts prepared in accordance with accounting standards in India.

The Consideration was determined after arm's length negotiations between the Company and Autron after considering the leading position, extensive network, well-established brand, business potential and growth potential of the Target Group. In determining the Consideration, the Directors have made reference to the growth trend in the industry as evidenced by expected increase in demand of the Target Group's products from key multi-national customers. In May 2004, Amtec was appointed by Fuji as a new SMT equipment distributor for electronics assembly equipment. Given the well established brand of the Fuji equipment in this sector and the Target Group's extensive network and relationship with key customers, the increased demand for the Target Group's products provides the basis of sustainable growth in the foreseeable future. Further information on the Target Group is set out in the paragraph headed "Information on the Target Group" below. Based on the above, the Directors consider the Consideration to be fair and reasonable.

The Consideration will be paid by Best Creation to Autron in cash upon Completion.

Conditions:

Completion is subject to the following conditions being fulfilled or waived (as the case may be) on or before 31st December 2006 (or such other date as Best Creation and Autron shall mutually agree in writing):

(i) if required, approval by the shareholders of Autron of the Agreement;

(ii) Autron having delivered to Best Creation legal opinions issued by firms of lawyers qualified to practise in the PRC, Hong Kong, Singapore and India acceptable to Best Creation confirming matters relating to, among other things, the due incorporation of the members of the Target Group, the legality of the operations of the members of the Target Group and the validity of material contracts entered into by members of the Target Group;

(iii) receipt by the Target Group of written consents or waivers from banks and providers of financial facilities to the Target Group in respect of loan, credit or financial facilities provided to the Target Group;

(iv) Autron having prepared and submitted to Best Creation a monthly budget of the Target Group (the "Approved Annual Budget") covering its business and operation for the period of 2 years commenced from 1st July 2006 and ending on 30th June 2008 and such budget having been approved by Best Creation;

(v) Autron having delivered to Best Creation certified true copies of the audited financial statements of the Amtec Group and AIP for the year ended 30th June 2006 and such audited financial statements not being subject to any qualification;

(vi) there having been no material adverse change to the trading position or prospects of the Target Group;

(vii) there being no material breach by Autron of any of the warranties or other terms of the Agreement by Autron;

(viii) Autron having performed its undertakings contained in the Agreement concerning, among other things, the conduct of business of the Target Group pending Completion in the normal and ordinary course and the full settlement of intra-group balances due to or from members of the Autron Group and the Target Group;

(ix) passing of necessary resolution(s) by the Shareholders to approve the Acquisition, the Agreement and transactions contemplated thereby;

(x) all requisite consents or confirmations of no objection (if necessary) from or filings at any governmental or competent authorities for the transactions contemplated under the Agreement having been obtained by Best Creation and the Company from any third parties or effected by Best Creation and the Company; and

(xi) each member of the Target Group having entered into service agreements with their key management staff incorporating the terms set out in the Agreement.

Best Creation may at any time by notice in writing to Autron waive the above conditions (other than conditions (i) and (x)) in whole or in part. If the above conditions shall not have been wholly fulfilled (or, as the case may be, waived by Best Creation) on or before 31st December 2006 (or such other date as Best Creation and Autron shall agree in writing), the Agreement shall terminate and none of the parties thereto shall have any obligations thereunder, except for obligations which are expressed in the Agreement to survive such termination, including the obligation to maintain confidentiality and to bear the other party's costs and expenses incurred in connection with due diligence review, the negotiation, preparation and execution of the Agreement and related transaction documents.

As at the Latest Practicable Date, save for condition (v) which had been fulfilled, no other conditions had been fulfilled or waived.

Completion:

Completion shall take place on the 7th business day after the fulfillment or waiver of the above conditions (or such other date as Best Creation and Autron may agree in writing). Barring unforeseen circumstances, it is expected that Completion shall take place on or about 31st October 2006.

Non-compete undertaking:

Autron has undertaken to Best Creation that for the period of five years following Completion, Autron and each member of the Autron Group (excluding the Target Group) will not be directly or indirectly employed, engaged or concerned in any business at anywhere in the world of the same type, style or concept as that of the business of the Target Group carried on as at the date of the Agreement, being the trading of SMT and PCB assembly equipment, machinery and spare parts and the provision of related installation, training, repair and maintenance services.

Supplemental Agreement:

Pursuant to the Supplemental Agreement, condition (viii) in the Agreement was amended to the effect that, instead of reducing the Autron Debt to not more than HK$78.0 million, Autron is required to fully settle the Autron Debt before Completion because it is expected that the total value of inter-company transactions such as sale of products and financing and treasury arrangements between the Target Group and Autron during the period between the signing of the Agreement and Completion will result in the full settlement of the Autron Debt before Completion. The amount of Autron Debt outstanding was approximately HK$121.3 million as at 30th June 2006 after the declaration of the special dividend of approximately HK$113.5 million as set out in the accountants' reports contained in Appendix II and Appendix III to this circular.

Also, pursuant to the Supplemental Agreement, the condition precedent contained in the Agreement requiring Autron to deliver to Best Creation a policy of credit insurance covering all the accounts receivables (net of provisions of doubtful debts) owing to the Target Group which were outstanding as at 30th June 2006 was deleted as it was considered as not cost efficient. In place of this, the parties have agreed the arrangement as described in the section headed "Post-completion undertakings" below to ensure the recoverability of such accounts receivables.

Having considered the commercial rationale for the terms of the Supplemental Agreement described above and that such terms would not affect the net asset value of the Target Group as at Completion, the Directors are of the view that the terms of the Supplemental Agreement are appropriate in the circumstances. The Directors also consider that the terms of the Agreement, as supplemented and amended by the Supplemental Agreement, are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Post-completion undertakings:

1. Subject to Completion having occurred, the Amtec Group will purchase certain SMT and PCB assembly equipments and inventories (the "Relevant Inventories") from Autron at a discount of 30% to their audited realisable value as at 30th June 2006, subject to a cap of US$6.5 million (equivalent to approximately HK$50.4 million). The purchase price for the Relevant Inventories (the "Inventories Purchase Price") will be payable within 30 days from 31st October 2007 (the "Settlement Date") and is subject to downward adjustments depending on the amount of proceeds realised from the sale of the Relevant Inventories by the Amtec Group up to the Settlement Date. Nevertheless, the final adjusted Inventories Purchase Price shall in any event be not less than 77% of the original Inventories Purchase Price even if the proceeds realised from the sale of the Relevant Inventories are lower than 77% of the original Inventories Purchase Price. The aforesaid discount rates for the Relevant Inventories are determined after arm's length negotiations between Best Creation and Autron.

2. The parties have agreed that the Inventories Purchase Price (after downward adjustments, if any, as described above) payable by the Amtec Group to Autron will first be netted off by the amount of all the accounts receivables (net of provisions of doubtful debts) owing to the Amtec Group which were outstanding as at 30th June 2006 (the "Accounts Receivables") that remain uncollected as at the Settlement Date and secondly a sum equal to the outstanding long term finance lease receivables (the "Long Term AR") due from customers to the Amtec Group will be withheld from the Inventories Purchase Price. Only the netted balance of the Inventories Purchase Price will be paid by the Amtec Group to Autron within 30 days from the Settlement Date. At the same time the Amtec Group will assign to Autron all the uncollected Accounts Receivables on a dollar-for-dollar basis which have been deducted from the Inventories Purchase Price. During the period from the Settlement Date to the latest of the due dates of the Long Term AR (the "Final Due Date"), the Amtec Group will pay to Autron at the end of the

relevant finance lease periods for each of the finance lease transaction amounts then received by the Amtec Group from the debtors by way of repayment of the Long Term AR. If there shall remain uncollected amount of the Long Term AR as at the Final Due Date, the Amtec Group will assign to Autron all the uncollected Long Term AR and such assignment shall constitute full and final settlement of the Inventories Purchase Price. The Accounts Receivables amounted to approximately HK$111.0 million as at 30th September 2006 based on the information provided by Autron. Should there be any Accounts Receivables or Long Term AR remain uncollected after the settlement in full for the Inventory Purchase Price Payable by the Amtec Group as described above, Autron will pay to Best Creation in cash equal to such an uncollected amount within 40 days from the Settlement Date, and as a result, the recoverability of Accounts Receivables and Long Term AR can be ensured.

Rescission rights of Best Creation:

If at any time prior to Completion:

(1) the combined net assets of the Amtec Group as at 30th June 2006 as shown in the audited accounts for the year ended 30th June 2006 is less than HK$60,000,000; or

(2) the net assets of AIP as at 30th June 2006 as shown in the audited accounts for the year ended 30th June 2006 is less than S$96,000 (equivalent to approximately HK$477,312); or

(3) Best Creation shall become aware of any matter or event showing that any of the warranties given by Autron under the Agreement was untrue or inaccurate in any material respect; or

(4) if Autron breaches any of the undertakings contained in the Agreement; or

(5) if Autron commits any breach of or omits to observe any of its material obligations under the Agreement or Best Creation believes that any breach or omission of material adverse effect has occurred; or

(6) if there is any material adverse change in the business or financial position or prospects of the Target Group taken as a whole which in the opinion of Best Creation makes it inadvisable to proceed with Completion; or

(7) any member of the Target Group shall be subject to any winding up proceedings or make any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding up of any member of the Target Group or a professional liquidator, receiver or manager is appointed over the assets or undertaking of any member of the Target Group,

then Best Creation may in its absolute discretion terminate the Agreement save, in respect of events (3) to (5) above, where the breach or omission by Autron is capable of remedy and such breach or omission has been remedied to the satisfaction of Best Creation.

INFORMATION ON THE TARGET GROUP

The Target Group is principally engaged in the business of trading of SMT and PCB assembly equipment, machinery and spare parts, and the provision of related installation, training, repair and maintenance services.

The PRC market is the primary focus of the Amtec Group. Amtec was set up in 1986 and is a highly regarded distributor of PCB assembly equipments. It is the only distributor possessing a nationwide coverage in the industry with subsidiaries and representative offices in seven major cities in the PRC. Its team, comprising over 200 personnel, has 25 years of experience in PCB assembly equipment distribution and other related services with strong customer relationship across all segment of the market.

AIP, set up in June 2005, is a flagship for the business of the Target Group in India. India is a newly developed manufacturing base to serve South Asia, Middle East and Eastern Europe markets. While electronics manufacturing industry in India has similar characteristics with the PRC (such as low labour and operating cost, skilled workers and huge domestic market), the unique local situation also requires significant local presence to support customers' expansion. AIP has a local team located in five major manufacturing hubs of India (New Delhi, Mumbai, Pune, Chennai and Bangalore) with more than 10 years experience on products of Fuji gained from their previous employments.

As set out in the accountants' report contained in Appendix II to this circular, the Amtec Group recorded audited consolidated turnover of approximately HK$544.6 million, HK$569.5 million and HK$1,124.0 million for each of the three years ended 30th June 2004, 2005 and 2006 respectively. For each of the three years ended 30th June 2004, 2005 and 2006, the Amtec Group recorded audited consolidated profit before tax and extraordinary items of approximately HK$21.8 million, HK$9.6 million and HK$31.4 million respectively; and audited consolidated profit after tax and extraordinary items of approximately HK$17.7 million, HK$8.6 million and HK$25.7 million respectively. The audited consolidated net asset value of the Amtec Group as at 30th June 2004, 2005 and 2006 were approximately HK$139.1 million, HK$147.6 million and HK$60.1 million respectively.

As advised by Autron, the drop in net profit of the Amtec Group in 2005 was mainly related to the transition to the new appointment of Fuji as SMT equipment provider in replacement of Assembléon (a member of the Philips group of companies) in around May 2004. For the year ended 30th June 2005, approximately 41.4% of the turnover and approximately 35.0% of the profit of the Amtec Group was contributed by the sales of Fuji equipment. Fuji is a market leader globally known for its electronics assembly equipment and its NXT series of pick and place equipment. As part of the appointment, immediate termination of sales of Assembléon equipment was required and at the same time, significant investment in developing the service capability to service Fuji equipment was needed. More than 100 service technicians and engineers were sent to Fuji's Nagoya facility for training. In addition, numerous local trainings were conducted by Amtec and as a result, more expenses were incurred. During the initial four to five months period, the Amtec Group has been communicating with its customers on the benefits of adopting the equipment of Fuji and little equipment sales were recorded. Accordingly, the results of the Amtec Group were affected during the transitional period. Such effect has diminished during the financial year ended 30th June 2006 which could be evidenced by the increase of approximately 198.8% in net profit as compared with that in 2005 as mentioned above. Taking into account the strength of Fuji's equipment, it is expected that the future prospects of the Amtec Group is promising.

AIP was incorporated on 30th June 2005. As set out in the accountants' report contained in Appendix III to this circular, for the period since its incorporation to 30th June 2006, AIP recorded turnover of approximately HK$2.0 million and both loss before and after tax and extraordinary items of approximately HK$1.1 million. AIP had net asset value of approximately HK$1.5 million as at 30th June 2006.

REASONS FOR THE ACQUISITION

The NAS Group is principally engaged in the trading of steel products, provision of procurement services for steel products, operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services. The NAS Group intends to continue its existing business in the trading of steel products and the provision of procurement services for steel products and ancillary services following completion of the Acquisition.

North Asia Strategic Acquisition Corp. together with Mr. Moses Tsang Kwok Tai became the new controlling Shareholders in August 2005, following which new executive Directors and management team were appointed. Since then, the Company has completed placements of Preference Shares raising approximately HK$1,266.9 million (net of expenses) new capital. The new capital are intended to be used for the acquisition of strategic, possible controlling, stakes in companies with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses with a view to diversifying the operations of the NAS Group from its cyclical steel trading business. In accordance with the terms of the Placements, the subscription price for the Placements shall be payable in cash by the placees in four equal installments and one quarter of the subscription monies from the completed Placements (approximately HK$320.1 million) has been received by the NAS Group. In the event that the subscription monies previously paid by the placees from time to time are insufficient to make any potential investments by the Company, the Company shall be entitled to require the relevant amount of installment to be paid by the placees. The Acquisition will be funded from the financial resources of the NAS Group generated through the Placements. To satisfy payment of the Consideration, the Company has notified the placees to accelerate the payment of the second instalment of the subscription monies pursuant to the terms of the subscription agreements for the Placements. Further details of the Placements are set out in the announcements of the Company dated 30th December 2005 and 26th July 2006 and circulars of the Company dated 24th January 2006 and 17th August 2006.

The Company announced on 26th May 2006 that it had entered into a non-legally binding term sheet with Autron for a possible investment of up to US$7.0 million (equivalent to approximately HK$54.3 million) in new shares and US$41.0 million (equivalent to approximately HK$318.2 million) in convertible bonds of Autron. After negotiations with Autron, the parties have agreed that the Company will instead acquire the entire issued share capital of Amtec and AIP from Autron and the AIP Vendors. The Board considers that the Acquisition is a preferred structure as it enables the NAS Group to invest directly in the operating subsidiaries of Autron, and avoids the complicated organisation structure involved in, as well as reduces the costs that may otherwise incur for, an investment in the listed shares and convertible securities of Autron.

The electronics business in the PRC has experienced significant growth in the last few years and such growth is expected to continue into the next few years. The local demand for consumer electronics, mobile phone products and other peripheral products in the PRC remains strong. Multi-national corporations and leading electronics manufacturing services companies continue to shift their manufacturing base to the PRC to reduce cost. In May 2004, Amtec was appointed as a distributor by Fuji on a non-exclusive basis to sell Fuji equipment in the PRC for a period of 12 months, which should be automatically extended for another 12 months successively and continuously unless with 3 months' written termination notice by either party. Fuji is the leading brand in SMT pick and place machine, which is a significant and integral part of modern electronics circuit board assembly production line. The continuous innovation of Fuji's machine helps to maintain Fuji's leading position in the market, especially after the new and innovative NXT series of pick and place machine was launched two years ago. It is expected that Fuji will continue to enjoy this technological advantage in the foreseeable future. With Amtec's new appointment as distributor for Fuji, it is expected that the Target Group is well positioned to capture the growth momentum and increasing demand for quality manufacturing equipment in the next few years both in the PRC and India. During the years 2005 and 2006, cash outflow from the Target Group was required for its initial stock up of spare parts and machines for the new Fuji products while there was also substantial cash outflow from the Target Group to its fellow members of the Autron Group. It is expected that the Target Group can continue to generate strong cash flow in the coming years as supported by its promising income stream. The prospects of the Target Group is also expected to improve by the value enhancement by the NAS Group. Prior to Completion, members of the Target Group shall enter into service agreements with their key management staff to secure continuity in the management of the Target Group.

The Acquisition being contemplated is in line with the diversification strategy of the NAS Group as described above. The Acquisition is also in accordance with the Company's guidelines in investment selection taking into account the Target Group's distribution of one of the world's leading brand of SMT equipment, its principal places of business in the PRC and Hong Kong, its substantial revenue and profitability and the proven business model that is scalable and with growth potential. The Directors consider the terms of the Agreement (as supplemented and amended by the Supplemental Agreement) are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION ON THE TARGET GROUP

(a) Amtec Group

Set out below is a summary of the key financial data of the Amtec Group, which are extracted from the accountants' report contained in Appendix II to this circular.

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Results			
Revenue	544,641	569,544	1,123,964
Gross profit	89,385	84,729	142,294
Profit before tax	21,799	9,622	31,445
Profit for the year	17,729	8,590	25,710

	As at 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Non-current assets	24,522	63,340	32,812
Current assets	413,687	473,976	492,628
Current liabilities	(297,436)	(378,345)	(462,850)
Non-current liabilities	(1,698)	(11,325)	(2,495)
Net assets	139,075	147,646	60,095

Financial and business performance

Fiscal period ended 30th June 2004

Turnover for the year reached approximately HK$544.6 million with gross profit at approximately HK$89.4 million. During the year, a total of 353 units of SMT machinery were sold. Amtec Group's network of subsidiaries in the PRC continued to attract new customers. During the year, a total of 79 new customers were solicited representing sales of around HK$181.7 million. Cost control measures taken during the year had successfully made the selling and distribution costs and administrative expenses at approximately 12.3% of turnover, resulting in profit after tax of approximately HK$17.7 million for the Amtec Group.

Fiscal period ended 30th June 2005

The Amtec Group achieved a turnover of approximately HK$569.5 million with gross profit at approximately HK$84.7 million. These represented an increase of approximately 4.6% and a decrease of approximately 5.3% as compared to those of 2004. A total of 408 units of SMT machinery were sold and a total of 82 new customers were solicited with sales value of approximately HK$265.5 million representing approximately 46.6% of the year's turnover. Fuji, a market leader globally known for its electronics assembly equipment and its NXT series of pick and place equipment, has started to replace Assembléon (a member of the Philips group of companies) as Amtec Group's SMT equipment provider since May 2004. During the year, approximately 41.4% of turnover and approximately 35.0% of the post-tax profit of the Amtec Group was contributed by the sales of Fuji equipment. As part of the appointment, immediate termination of sales of Assembléon equipment was required and at the same time, significant investment in development the service capability to service Fuji equipment was needed. An impairment of trade receivables and write-down of inventories of approximately HK$2.0 million and HK$2.3 million respectively were made as a result of the termination of sales of Assembléon equipment. During the initial four to five months period, the Amtec Group has been communicating with its customers on the benefits of adopting the Fuji equipment, resulting in more selling and distribution costs. During the year, more than 100 service technicians and engineers of Amtec Group were sent to Fuji's Nagoya facility for training and numerous local trainings were conducted by Amtec Group, resulting in more administrative expenses. As a result, profit after tax was approximately HK$8.6 million only, representing about a 51.4% decrease from previous year.

Fiscal period ended 30th June 2006

The Amtec Group achieved a turnover of approximately HK$1.1 billion with gross profit at approximately HK$142.3 million. These represented increases of approximately 97.4% and 68.0% respectively as compared to those of 2005. Quantity of SMT equipments sold increased significantly from 408 units in 2005 to 740 units in 2006. A total of 85 new customers were solicited with sales value of approximately

HK$462.1 million representing approximately 41.1% of the year's turnover. The main reason for such increases is believed to be the growing demand for consumer electronics, mobile phone products and other peripheral products in the PRC which drives multi-national corporations and leading electronics manufacturing services companies shifting their manufacturing to the PRC to reduce cost. The Amtec Group has made impairment of trade receivables and provision for inventories of approximately HK$3.7 million and HK$2.2 million respectively. The impairment of trade receivables was made as a result of the ligitation against a customer in Changzhou, the PRC, and slow payment by two other customers. The provision on the inventories was made against certain obsolete stock items due to changes in market demand. Although turnover growth achieved a record of approximately 97.4%, the ongoing cost control measures contributed to significant savings and selling and distribution costs and administrative expenses. Profit after tax was approximately HK$25.7 million for the year, representing an increase of 198.8% from previous year.

Financial resources and liquidity

The Amtec Group's capital structure as of 30th June 2006 consisted of shareholders' equity of approximately HK$60.1 million and bank borrowings of approximately HK$259.6 million, compared to shareholders' equity of approximately HK$147.6 million and bank borrowings of approximately HK$218.0 million as at 30th June 2005, and shareholders' equity of approximately HK$139.1 million and bank borrowings of approximately HK$85.1 million as at 30th June 2004. Gearing ratios (bank borrowings divided by shareholders' equity) as at 30th June 2004, 2005 and 2006 were 0.6, 1.5 and 4.3 respectively.

The Amtec Group generated cash-flow from operations of approximately HK$5.0 million for the year ended 30th June 2004 and negative cash flow from operations of approximately HK$106.5 million and HK$42.3 million for the years ended 30th June, 2005 and 2006 respectively.

Property, plant and equipment amounted to approximately HK$20.2 million as at 30th June 2006 with additions of approximately HK$1.4 million during the year which were funded by internal resources.

Cash and cash equivalents

As at 30th June 2006, bank deposits amounted to approximately HK$17.9 million and there was no time deposit pledged for banking facilities. Deposits amounted to approximately HK$9.9 million were pledged to secure the loans of approximately HK$81.0 million from a financial institution.

Investments

The Amtec Group did not have any investments as at 30th June 2006.

Foreign currency exposure

The Amtec Group's revenue is predominantly in US dollars and Hong Kong dollars whereas the equipment purchases from suppliers are denominated in US dollars, Euro and Japanese Yen. To curb the foreign exchange exposure in US Dollars against Japanese Yen and Euro, the Amtec Group enters into forward contracts to hedge the fluctuation in the foreign exchange exposure.

Number of employees and remuneration policies

The Amtec Group had about 327 employees as at 30th June 2006. Total salary and bonuses amounted to about HK$38.4 million in 2006 compared to approximately HK$33.1 million and approximately HK$25.5 million in 2005 and 2004. Amtec Group's remuneration policy includes a bonus scheme that is based on performance.

(b) AIP

Set out below is a summary of the key financial data of AIP, which are extracted from the accountants' report of AIP contained in Appendix III to this circular.

	Period ended 30th June 2006
	HK$'000
Results	
Revenue	1,978
Gross profit	949
Loss before tax	(1,146)
Loss for the period	(1,118)

	As at 30th June 2006
	HK$'000
Assets and liabilities	
Non-current assets	346
Current assets	1,730
Current liabilities	(547)
Non-current liabilities	(14)
Net assets	1,515

Financial and business performance

Period ended 30th June 2006

AIP achieved a turnover of approximately HK$2.0 million with gross profit of approximately HK$0.9 million during its first financial period. During the period, AIP built up its machinery servicing network by setting up offices in five major manufacturing hubs of India, comprising New Delhi, Mumbi, Pune, Chennai and Bangalore. Total number of customers was 42. As the administrative expense incurred during the period was more than the revenue, AIP recorded a loss after tax of approximately HK$1.1 million for this period.

Financial resources and liquidity

AIP's capital structure as of 30th June 2006 consisted of shareholders' equity of approximately HK$1.5 million and it did not have any bank borrowing. Gearing ratios (bank borrowings divided by shareholders' equity) as at 30th June 2006 was therefore zero.

AIP generated a negative cash-flow from operations of approximately HK$2.2 million for the period ended 30th June 2006.

Fixed assets amounted to approximately HK$98,000 as at 30th June 2006 with additions of approximately HK$0.2 million during the period which were funded by internal resources.

Cash and cash equivalents

As at 30th June 2006, bank deposits amounted to approximately HK$0.3 million and there was no pledged deposit.

Investments

AIP did not have any investments as at 30th June 2006.

Foreign currency exposure

AIP's revenue is predominately in US Dollars and Indian Rupees whereas its expenses are denominated in Indian Rupees. It does not have significant foreign exchange exposure.

Number of employees and remuneration policies

AIP had about 29 employees as at 30th June 2006. Total salary and bonuses amounted to about HK$1.1 million in the period. AIP's remuneration policy includes a bonus scheme that is based on performance.

(c) Prospects of the Target Group

The Target Group is operating in the electronic manufacturing business in the PRC and India and its principal activities include trading of SMT and PCB assembly equipment, machinery and spare parts, and the provision of installation, training, repair and maintenance services. Riding on the fast growing economies in the PRC and strong local demand for consumer electronics, it is expected that the Target Group can enjoy a continuous growth in revenue from sales of products as well as providing ancillary services such as leasing and installing of machinery. The appointment of the Amtec Group to be a SMT equipment distributor of Fuji for electronics assembly equipments would allow the Amtec Group to focus more on high-end products and to enhance the profit margin of the Target Group. It is also expected that the Target Group would be able to enjoy a growth from the lucrative business of spare parts sales and provision of repair and maintenance services for the Fuji products. Moreover, based on the competitive advantages of lower labour cost and operating cost in the PRC and India, it is believed that the Target Group can, on the one hand, implement an effective cost control and, on the other hand, continue to attract production contracts from multi-national and large-scale customers. Based on the above, it is expected that the prospects of the Target Group are promising.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE NAS GROUP

Upon Completion, members of the Target Group will become indirect wholly-owned subsidiaries of the Company and their results would be consolidated into the accounts of the NAS Group.

The NAS Group had an audited net asset value of approximately HK$1,049.6 million as at 31st March 2006. The NAS Group intends to satisfy the consideration in cash by internal resources and therefore the Acquisition would not have any effect on the net asset value of the NAS Group, save for the expenses incurred for the Acquisition. As shown in the pro forma financial information of the Enlarged Group contained in Appendix IV to this circular, a goodwill of approximately HK$408.0 million will arise from the Acquisition. It should be noted that such goodwill is estimated on the assumption that the fair value of the net assets of the Target Group is the same as their carrying amount. The amount of goodwill to be recorded will depend on the fair value of the net assets of the Target Group to be determined on Completion.

The NAS Group recorded an audited turnover of approximately HK$359.9 million and loss attributable to equity holders of the Company of approximately HK$12.0 million for the year ended 31st March 2006. The Target Group recorded an audited turnover of approximately HK$1,126.0 million in total and profit after tax of approximately HK$24.6 million in total for the year ended 30th June 2006. Given the historical financial performance of the Target Group, the Acquisition is expected to enhance the revenue and earnings base of the Enlarged Group as a whole in the future.

GEM LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition of the Company under the GEM Listing Rules and is subject to approval by the Shareholders. As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, none of Autron, the AIP Vendors and their respective associates was holding any Share. On the assumption that none of the above persons becomes a Shareholder during the period from the Latest Practicable Date up to and including the date of the Special General Meeting, no Shareholder will be required to abstain from voting on the resolution to be proposed at the Special General Meeting to approve the Acquisition.

THE SCHEME

Best Creation is an investment holding company and it has no other operation save for the proposed Acquisition. It proposes to adopt the Scheme allowing its directors to grant options to subscribe for shares in Best Creation to the selected participants under the Scheme as incentives or rewards for their contribution to the Best Creation Group.

Set out in Appendix V to this circular are the principal terms of the Scheme. Under the rules of the Scheme:

(1) the total number of shares in Best Creation which may be issued upon the exercise of all options granted or to be granted under the Scheme and any other share option schemes of the NAS Group must not in aggregate exceed the nominal value of 10% of Best Creation's issued share capital as at the date of approval by the Shareholders of the adoption of the Scheme (the "General Scheme Limit");

(2) the General Scheme Limit may be "refreshed" from time to time on and pursuant to the rules of the Scheme;

(3) the maximum number of shares in Best Creation which might be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the NAS Group must not in aggregate exceed the nominal value of 30% of the issued share capital of Best Creation from time to time; and

(4) unless approved by the Shareholders in general meeting, the total number of shares in Best Creation issued and to be issued upon the exercise of options granted to any participant under the Scheme and any other share option schemes of the NAS Group (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of Best Creation.

On the basis of a total of 60,000,000 shares in Best Creation in issue as at the Latest Practicable Date and assuming that no further shares in Best Creation will be issued or repurchased before the Special General Meeting, the board of directors of Best Creation will be allowed to grant options carrying rights to subscribe for a maximum of 6,000,000 shares in Best Creation under the General Scheme Limit.

The adoption of the Scheme is conditional upon the passing by the Shareholders of the ordinary resolution approving the Scheme at the Special General Meeting. The Directors will seek approval of the Shareholders at the Special General Meeting for the adoption of the Scheme in accordance with the GEM Listing Rules.

The options to be granted under the Scheme and the shares in Best Creation to be allotted and issued upon exercise of such options will not be listed on GEM, the Main Board of the Stock Exchange or any other recognised stock exchange.

The Directors consider that the adoption of the Scheme is in the interests of the Company and the Shareholders as a whole because it will enable Best Creation, which will become the immediate holding company of the Target Group upon Completion, to reward and provide incentives to the employees of the Best Creation Group and other classes of selected participants who would, in the opinion of the board of directors of Best Creation, contribute to the growth and development of the Best Creation Group. The opportunity for the selected participants to obtain equity holdings in Best Creation through the grant of options under the Scheme will be a motivation for the selected participants to contribute to the success of the Best Creation Group and thus the electronic manufacturing business of the NAS Group. As the Best Creation Group are members of the NAS Group, the NAS Group as a whole will benefit from the growth and development of the Best Creation Group. For these reasons, the Directors will propose the passing of the ordinary resolution at the Special General Meeting for the adoption of the Scheme.

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the option value which have not been determined. Such variables include the exercise price, exercise period, any lock-up period, any performance targets set and other relevant variables.

SPECIAL GENERAL MEETING

Set out in this circular is a notice convening the Special General Meeting to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Tuesday, 31st October 2006 at which resolutions will be proposed to approve the Agreement and the adoption of the Scheme.

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

RECOMMENDATION

The Directors consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. In addition, the Directors consider that the adoption of the Scheme is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the Special General Meeting to approve the Acquisition and the adoption of the Scheme.

GENERAL

Your attention is drawn to the financial information of the NAS Group, the Amtec Group and AIP, the pro forma financial information of the Enlarged Group, the principal terms of the Scheme and the other additional information set out in the appendices to this circular.

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

1. FINANCIAL SUMMARY

The following is a summary of the consolidated financial information of the NAS Group for the three years ended 31st March 2006, as extracted from the relevant annual reports of the Company.

Results

	Year ended 31st March		
	2004	**2005**	**2006**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,429,443	859,685	359,948
Loss before income tax	(25,042)	(4,497)	(16,995)
Income tax (expense)/credit	(889)	(5,946)	5,007
Loss after income tax but before minority interests	(25,931)	(10,443)	(11,988)
Minority interests	220	—	—
Loss attributable to the equity holders of the Company	(25,711)	(10,443)	(11,988)
Loss per Share — Basic	HK(163) cents	HK(65.4) cents	HK(17.7) cents

Assets and Liabilities

	As at 31st March		
	2004	**2005**	**2006**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Total assets	387,187	165,748	1,105,190
Total liabilities	(374,542)	(163,611)	(55,595)
Shareholders' equity	12,645	2,137	1,049,595

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the NAS Group, the balance sheet of the Company together with the notes to the financial statements of the NAS Group as extracted from pages 46 to 108 of the annual report of the Company for the year ended 31st March 2006. References to page numbers in this section are to the page numbers of such annual report of the Company.

"Consolidated Income Statement

For the year ended 31st March 2006

	Note	2006 HK$'000	2005 HK$'000
Revenue			
— Sales		355,426	854,564
— Commission		4,522	5,121
		359,948	859,685
Cost of sales		(354,154)	(828,580)
Gross profit		5,794	31,105
Other gains — net	*20*	5,051	2,087
Selling and distribution expenses		(2,180)	(7,494)
General and administrative expenses		(22,364)	(25,139)
Operating (loss)/profit		(13,699)	559
Finance costs	*23*	(3,296)	(5,056)
Loss before income tax		(16,995)	(4,497)
Income tax credit/(expense)	*24*	5,007	(5,946)
Loss for the year, attributable to equity holders of the Company	*25*	(11,988)	(10,443)
Loss per share for loss attributable to the equity holders of the Company — Basic	*26*	HK(17.7) cents	HK(65.4) cents

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

Balance Sheets

As at 31st March 2006

		Consolidated		Company	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Plant and equipment	*6*	478	1,411	—	—
Website development costs	*7*	6	21	—	—
Long-term investment	*8*	—	780	—	—
Investments in and amounts due from subsidiaries	*9*	—	—	—	1
Subscription receivables, non-current portion	*18*	494,135	—	494,135	—
Total non-current assets		494,619	2,212	494,135	1
Current assets					
Inventories	*10*	26,399	94,936	—	—
Deposits for purchase of inventories		—	27,387	—	—
Trade receivables	*11*	115	3,977	—	—
Prepayments, deposits and other receivables	*12*	16,745	7,893	707	30
Amounts due from subsidiaries	*33*	—	—	3,000	—
Subscription receivables, current portion	*18*	271,410	—	271,410	—
Pledged bank deposits	*13*	3,055	16,080	—	13,049
Cash and cash equivalents	*13*	292,847	13,263	289,941	12
Total current assets		610,571	163,536	565,058	13,091
Current liabilities					
Short-term bank borrowings	*14*	—	(24,360)	—	—
Trade payables	*15*	(36,916)	(121,018)	—	—
Accruals and other payables	*16*	(2,545)	(7,441)	(1,920)	(71)
Receipts in advance		(792)	(5,256)	—	—
Current income tax liabilities		(700)	(5,536)	—	—
Total current liabilities		(40,953)	(163,611)	(1,920)	(71)
Net current assets/(liabilities)		569,618	(75)	563,138	13,020
Total assets less current liabilities		1,064,237	2,137	1,057,273	13,021

		Consolidated		Company	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Amounts due to subsidiaries	*33*	—	—	—	(3,907)
Convertible bonds	*17*	(14,642)	—	(14,642)	—
Total non-current liabilities		(14,642)	—	(14,642)	(3,907)
Net assets		1,049,595	2,137	1,042,631	9,114
Equity					
Capital and reserves attributable to equity holders of the Company:					
Share capital	*18*	74,790	159,659	74,790	159,659
Reserves	*19*	974,805	(157,522)	967,841	(150,545)
Shareholders' equity		1,049,595	2,137	1,042,631	9,114

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

Consolidated Statement of Changes in Equity
For the year ended 31st March 2006

		Attributable to equity holders of the Company		
		Share capital	**Reserves**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2004		159,638	(146,993)	12,645
Loss for the year		—	(10,443)	(10,443)
Translation adjustments		—	(86)	(86)
Change in fair value of a long-term investment		—	548	548
Realised upon disposal of a long-term investment		—	(548)	(548)
Issue of ordinary shares upon exercise of warrants		21	—	21
Balance at 31st March 2005 and 1st April 2005		159,659	(157,522)	2,137
Loss for the year		—	(11,988)	(11,988)
Capital reorganisation	*18*	(159,529)	159,529	—
Issue of ordinary shares	*18*			
— upon exercise of warrants		30	—	30
— under a subscription agreement		639	9,361	10,000
— under an open offer		159	2,341	2,500
Issue of preference shares		73,832	980,764	1,054,596
Share issue expenses				
— ordinary shares		—	(2,186)	(2,186)
— preference shares		—	(12,173)	(12,173)
Convertible bonds				
— equity component	*17*	—	6,388	6,388
Translation adjustments		—	291	291
Balance at 31st March 2006		74,790	974,805	1,049,595

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

Consolidated Cash Flow Statement

For the year ended 31st March 2006

	Note	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Net cash outflow generated from operations	27(a)	(6,028)	(52,249)
Interest paid		(2,266)	(5,056)
Mainland China enterprise income tax paid		—	(2,096)
Mainland China enterprise income tax refunded		172	473
Net cash used in operating activities		(8,122)	(58,928)
Cash flows from investing activities			
Dividend received from an investment		—	659
Increase in long-term investment		—	(780)
Proceeds from disposal of investments		—	26,447
Cash disposed of by sale of subsidiaries, net of proceeds of sale	27(c)	(9,506)	(1,396)
Additions of plant and equipment	6	(113)	(190)
Proceeds from sales of plant and equipment	27(b)	15	129
Additions of website development costs		—	(5)
Interest received		1,000	580
Decrease in pledged bank deposits		13,025	18,359
Net cash generated from investing activities		4,421	43,803
Cash flows from financing activities			
Issue of ordinary shares		12,530	21
Issue of convertible bonds		20,000	—
Issue of preference shares		289,050	—
Share issue expenses		(13,935)	—
New short-term bank loans		—	6,615
Repayment of short-term bank loans		(24,360)	(9,450)
Net decrease in trust receipts bank loans		—	(24,231)
Net cash generated from/(used in) financing activities		283,285	(27,045)
Net increase/(decrease) in cash and bank balances			
Increase/(Decrease) in cash and cash equivalents		279,584	(42,170)
Cash and bank balances at beginning of the year		13,263	55,433
Cash and bank balances at end of the year		292,847	13,263

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

Notes to the Financial Statements

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.

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

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.

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.

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

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.

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;

(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.

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.

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.

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.

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.

(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.

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.

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.

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.

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.

The business segment results are analysed as follows:

	Year ended 31st March 2006			
	Steel trading	Procurement services	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	355,426	4,522	—	359,948
Segment results	(5,615)	3,754	(10,450)	(12,311)
Other gains — net	3,608	—	1,443	5,051
Unallocated expenses				(6,439)
Operating loss				(13,699)
Finance costs				(3,296)
Loss before income tax				(16,995)
Income tax credit				5,007
Loss for the year				(11,988)
Assets				
Segment assets	48,493	68	1,056,193	1,104,754
Unallocated assets				436
				1,105,190
Liabilities				
Segment liabilities	(38,311)	—	(16,580)	(54,891)
Unallocated liabilities				(704)
				(55,595)
Capital expenditure	64	—	—	64
Unallocated				49
				113
Depreciation and amortisation	367	15	—	382
Unallocated				6
				388

	Year ended 31st March 2005			
	Steel trading	Procurement services	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	854,564	5,121	—	859,685
Segment results	(1,654)	604	(62)	(1,112)
Other gains — net	515	—	1,572	2,087
Unallocated expenses				(416)
Operating profit				559
Finance costs				(5,056)
Loss before income tax				(4,497)
Income tax expense				(5,946)
Loss for the year				(10,443)
Assets				
Segment assets	164,155	353	780	165,288
Unallocated assets				460
				165,748
Liabilities				
Segment liabilities	(163,235)	—	(71)	(163,306)
Unallocated liabilities				(305)
				(163,611)
Capital expenditure	191	5	780	976
Depreciation and amortisation	1,016	27	—	1,043

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.

Geographical segments results are analysed as follows:

	Year ended 31st March 2006			
	Hong Kong	Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	3,184	356,764	—	359,948
Segment results	(15,199)	2,868	(868)	(13,199)
Unallocated expenses				(500)
Operating loss				(13,699)
Assets	1,059,151	45,971	68	1,105,190
Capital expenditure	49	64	—	113

	Year ended 31st March 2005			
	Hong Kong	Mainland China	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	15,280	844,405	—	859,685
Segment results	(586)	4,162	(2,601)	975
Unallocated expenses				(416)
Operating profit				559
Assets	1,891	163,373	484	165,748
Capital expenditure	61	910	5	976

6. Plant and equipment

	Leasehold improvements and furniture	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2004				
Cost	651	2,415	2,460	5,526
Accumulated depreciation	(362)	(1,626)	(616)	(2,604)
Net book amount	289	789	1,844	2,922
Year ended 31st March 2005				
Opening net book amount	289	789	1,844	2,922
Additions	94	96	—	190
Disposals	(67)	(45)	(104)	(216)
Disposal of subsidiaries	(24)	(41)	(404)	(469)
Depreciation	(143)	(471)	(402)	(1,016)
Closing net book amount	149	328	934	1,411
At 31st March 2005				
Cost	543	2,213	1,779	4,535
Accumulated depreciation	(394)	(1,885)	(845)	(3,124)
Net book amount	149	328	934	1,411
Year ended 31st March 2006				
Opening net book amount	149	328	934	1,411
Additions	40	73	—	113
Disposals	(28)	—	(10)	(38)
Disposal of subsidiaries	(90)	(50)	(495)	(635)
Depreciation	(62)	(203)	(108)	(373)
Closing net book amount	9	148	321	478
At 31st March 2006				
Cost	334	2,150	804	3,288
Accumulated depreciation	(325)	(2,002)	(483)	(2,810)
Net book amount	9	148	321	478

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

7. Website development costs

	HK$'000
At 1st April 2004	
Cost	33,364
Accumulated amortisation	(33,321)
Net book amount	43
Year ended 31st March 2005	
Opening net book amount	43
Additions	5
Amortisation	(27)
Closing net book amount	21
At 31st March 2005	
Cost	33,369
Accumulated amortisation	(33,348)
Net book amount	21
Year ended 31st March 2006	
Opening net book amount	21
Amortisation	(15)
Closing net book amount	6
At 31st March 2006	
Cost	33,369
Accumulated amortisation	(33,363)
Net book amount	6

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

8. Long-term investment

	As at 31st March 2006 *HK$'000*	**As at 31st March 2005** *HK$'000*
Unlisted investment, at cost	—	780

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.

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. Investments in and amounts due from subsidiaries

	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	3,500	3,500
Amounts due from subsidiaries	145,308	135,876
Less: Accumulated impairment losses	(148,808)	(139,375)
	—	1

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

Name	**Place of incorporation and kind of legal entity**	**Principal activities**	**Particulars of issued share capital**	**Percentage of equity interest held by the Group**
Ace Level Investments Limited *(i)*	British Virgin Islands, limited liability company	Investment holding	1 Ordinary share of US$1 each	100%
i-AsiaB2B Group Limited *(i)*	British Virgin Islands, limited liability company	Investment holding	1 Ordinary share of US$1 each	100%
ISA Group Holdings Limited	British Virgin Islands, limited liability company	Investment holding	10,000 Ordinary share of US$1 each	100%
iSteel Holdings (B.V.I.) Limited	British Virgin Islands, limited liability company	Investment holding	1 Ordinary share of US$1 each	100%
iSteel (MT) Holdings Limited	British Virgin Islands, limited liability company	Investment holding	1 Ordinary share of US$1 each	100%
iSteelAsia (Hong Kong) Limited	Hong Kong, limited liability company	Operation of an e-commerce vertical portal business for online steel trading	2 Ordinary shares of HK$1 each	100%

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Percentage of equity interest held by the Group
iSteelAsia Limited	British Virgin Islands, limited liability company	Operation of an e-commerce vertical portal business for online steel trading	10 Ordinary shares of US$1 each	100%
iSteelAsia Logistics Macao Commercial Offshore Company Limited	Macau, limited liability company	Trading of steel	1 Ordinary share of MOP100,000 each	100%
MetalAsia Holdings Limited	British Virgin Islands, limited liability company	Investment holding	2,000 Ordinary shares of US$1 each	100%
Metal Logistics Company Limited	Hong Kong, limited liability company	Trading of steel and provision of procurement services	4 Ordinary shares of HK$1 each	100%
North Asia Strategic (HK) Limited *(i)*	Hong Kong, limited liability company	Management	1 Ordinary share of HK$1 each	100%
Shanghai iSteelAsia International Limited *(ii)*	Mainland China, limited liability company	Trading of steel	US$200,000	100%
Tianjin iSteelAsia International Limited *(ii)*	Mainland China, limited liability company	Trading of steel	US$200,000	100%
Ya Gang Wang Co. Limited	British Virgin Islands, limited liability company	Investment holding	1 Ordinary share of US$1 each	100%
Yu Tai Steel (Shanghai) Co. Ltd. *(ii)*	Mainland China, limited liability company	Trading of steel	US$200,000	100%

Notes:

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

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

10. Inventories — Group

	As at 31st March 2006	As at 31st March 2005
	HK$'000	*HK$'000*
Rolled flat steel products	26,399	94,936

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. Trade receivables

	Consolidated	
	As at 31st March 2006	As at 31st March 2005
	HK$'000	*HK$'000*
Trade receivables	589	4,455
Less: Provision for impairment of receivables	(474)	(478)
	115	3,977

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:

	Consolidated	
	As at 31st March 2006	As at 31st March 2005
	HK$'000	*HK$'000*
0 to 90 days	—	3,959
91 to 180 days	—	3
181 to 270 days	115	15
271 to 365 days	—	—
Over 365 days	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.

12. Prepayments, deposits and other receivables

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	91	5,016	—	30
Deposits	328	299	—	—
Interest receivable	707	—	707	—
Amounts due from former subsidiaries	15,392	—	—	—
Balance of consideration for disposal of subsidiaries	98	1,536	—	—
Other receivables	129	1,042	—	—
	16,745	7,893	707	30

The carrying amounts of other receivables approximate their fair values.

13. Cash and cash equivalents and Pledged bank deposits

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	10,748	13,263	7,842	12
Short-term bank deposits	282,099	—	282,099	—
	292,847	13,263	289,941	12
Pledged bank deposits	3,055	16,080	—	13,049
	295,902	29,343	289,941	13,061

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).

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:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	291,555	883	289,933	9
US dollar	4,173	16,761	8	13,052
Renminbi *("RMB")*	174	11,698	—	—
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.

14. Borrowings

	As at 31st March 2006	As at 31st March 2005
	HK$'000	*HK$'000*
Current		
Short-term bank borrowings	—	24,360
	—	24,360

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

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

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

	As at 31st March 2006	As at 31st March 2005
	HK$'000	*HK$'000*
Short-term bank borrowings	—	5.5% - 5.6%

15. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st March 2006	As at 31st March 2005
	HK$'000	*HK$'000*
0 to 90 days	36,916	18,272
91 to 180 days	—	93,467
181 to 270 days	—	8,079
271 to 365 days	—	—
1 to 2 years	—	1,200
	36,916	121,018

16. Accruals and other payables

	Group		Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrual for operating expenses	2,020	2,657	1,920	71
Provision for claim	—	2,977	—	—
Other payables	525	1,807	—	—
	2,545	7,441	1,920	71

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:

	At 31st March 2006 *HK$'000*
Face value of convertible bonds issued on 8th August 2005	20,000
Equity component	(6,388)
Liability component on initial recognition at 8th August 2005	13,612
Accrued interest expense	1,030
Liability component at 31st March 2006	14,642

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.

18. Share capital

	Ordinary shares		Preference shares		
	Number of shares	Ordinary shares capital	Number of shares	Preference shares capital	Total
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
Authorised					
At 1st April 2004 and 31st March 2005	4,000,000	400,000	—	—	400,000
Capital reorganisation	36,000,000	—	—	—	—
Creation of preference shares	—	—	30,000,000	300,000	300,000
At 31st March 2006	40,000,000	400,000	30,000,000	300,000	700,000
Analysed as —					
Ordinary shares of HK$0.01 each	40,000,000	400,000	—	—	400,000
Preference shares of HK$0.01 each	—	—	30,000,000	300,000	300,000
	40,000,000	400,000	30,000,000	300,000	700,000
Issued					
At 1st April 2004	1,596,384	159,638	—	—	159,638
Issue of shares upon exercise of warrants	206	21	—	—	21
At 31st March 2005	1,596,590	159,659	—	—	159,659
Capital reorganisation *(Note a(i))*	(1,580,919)	(159,529)	—	—	(159,529)
Issue of ordinary shares					
— upon exercise of warrants *(Note 28)*	298	30	—	—	30
— under a subscription agreement *(Note a(ii))*	63,857	639	—	—	639
— under an open offer *(Note a(iii))*	15,969	159	—	—	159
Issue of preference shares	—	—	7,383,167	73,832	73,832
At 31st March 2006	95,795	958	7,383,167	73,832	74,790

(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;

(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.

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:

	As at 31st March 2006
	HK$'000
Subscription receivables	867,153
Less: Future interest	(101,608)
Subscription receivables at fair value	765,545
Less: Non-current portion	(494,135)
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.

19. Reserves

Movements were:

Group

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible bonds *HK$'000*	Capital reserve *HK$'000*	Asset revaluation reserve *HK$'000*	Cumulative translation adjustments *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1st April 2004	11,099	—	—	2,700	—	105	(160,897)	(146,993)
Loss attributable to equity holders of the Company	—	—	—	—	—	—	(10,443)	(10,443)
Translation adjustments	—	—	—	—	—	(86)	—	(86)
Change in fair value of a long-term investment	—	—	—	—	548	—	—	548
Realised upon disposal of a long-term investment	—	—	—	—	(548)	—	—	(548)
Balance at 31st March 2005	11,099	—	—	2,700	—	19	(171,340)	(157,522)
Loss attributable to equity holders of the Company	—	—	—	—	—	—	(11,988)	(11,988)
Capital reorganisation *(Note 18)*	(11,099)	170,628	—	—	—	—	—	159,529
Elimination of accumulated losses *(Note 18)*	—	(161,644)	—	—	—	—	161,644	—
Issue of ordinary shares								
— under a subscription agreement	9,361	—	—	—	—	—	—	9,361
— under an open offer	2,341	—	—	—	—	—	—	2,341
Issue of preference shares	980,764	—	—	—	—	—	—	980,764
Share issue expenses								
— ordinary shares	(2,186)	—	—	—	—	—	—	(2,186)
— preference shares	(12,173)	—	—	—	—	—	—	(12,173)
Convertible bonds								
— equity component *(Note 17)*	—	—	6,388	—	—	—	—	6,388
Translation adjustments — net	—	—	—	—	—	291	—	291
Balance at 31st March 2006	978,107	8,984	6,388	2,700	—	310	(21,684)	974,805

Company

	Share premium	Contribution surplus	Convertible bonds	Asset revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2004	11,099	—	—	—	(155,693)	(144,594)
Loss attributable to equity holders of the Company	—	—	—	—	(5,951)	(5,951)
Change in fair value of a long-term investment	—	—	—	548	—	548
Realised upon disposal of a long-term investment	—	—	—	(548)	—	(548)
Balance at 31st March 2005	11,099	—	—	—	(161,644)	(150,545)
Loss attributable to equity holders of the Company	—	—	—	—	(25,638)	(25,638)
Capital reorganisation *(Note 18)*	(11,099)	170,628	—	—	—	159,529
Elimination of accumulated losses *(Note 18)*	—	(161,644)	—	—	161,644	—
Issue of ordinary shares						
— under a subscription agreement	9,361	—	—	—	—	9,361
— under an open offer	2,341	—	—	—	—	2,341
Issue of preference shares	980,764	—	—	—	—	980,764
Share issue expenses						
— ordinary shares	(2,186)	—	—	—	—	(2,186)
— preference shares	(12,173)	—	—	—	—	(12,173)
Convertible bonds						
— equity component *(Note 17)*	—	—	6,388	—	—	6,388
Balance at 31st March 2006	978,107	8,984	6,388	—	(25,638)	967,841

20. Other gains — net

	2006	**2005**
	HK$'000	*HK$'000*
Dividend income from unlisted investments	—	659
Interest income	1,707	580
Write-back of provision for claim	2,977	—
Gain on disposal of investments	—	911
Profit/(loss) on disposal of subsidiaries *(Note 27(c))*	98	(63)
Others	269	—
	5,051	2,087

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. Expenses by nature

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

	2006	**2005**
	HK$'000	*HK$'000*
Depreciation of plant and equipment	373	1,016
Amortisation of website development costs	15	27
Employment costs *(Note 22)*	6,139	9,416
Operating lease rental of premises	1,186	1,152
Impairment of trade receivables	21	1,761
Provision for inventories	—	1,448
Auditors' remuneration	900	500

22. Employment costs

	2006	**2005**
	HK$'000	*HK$'000*
Salaries, wages and allowances	6,072	9,185
Retirement benefits		
— defined contribution scheme	67	231
	6,139	9,416

(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.

(b) Directors' and senior management's emoluments

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

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

(i) Appointed on 9th August 2005

(ii) Resigned on 9th August 2005

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

	Fees	Salary	Employer's contribution to pension	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Andrew Yao Cho Fai	—	—	—	—
Mr. Desmond Fu Hay Ching	—	1,855	—	1,855
Ms. Miriam Yao Che Li *(iii)*	—	—	—	—
Non-executive director				
Mr. David Michael Faktor	10	—	—	10
Mr. Daniel Takuen Shih *(iv)*	1	—	—	1
Independent non-executive directors				
Mr. Philip Ma King Huen	10	—	—	10
Mr. Kenny Tam King Ching	40	—	—	40
Mr. Kennedy Wong Ying Ho	10	—	—	10
	71	1,855	—	1,926

(iii) Resigned on 30th June 2004

(iv) Resigned on 29th April 2004

(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:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries and allowances	1,304	2,191
Bonuses	491	—
Employer's contributions to retirement scheme	12	24
	1,807	2,215

The emoluments fell within the following bands:

	2006	2005
Nil to HK$1,000,000	1	4
HK$1,000,001 to HK$2,000,000	1	—
	2	4

23. Finance costs

	2006	**2005**
	HK$'000	*HK$'000*
Interest expense		
— Interest on bank loans wholly repayable within five years	1,112	1,676
— Interest on amount due to a related company	1,154	3,380
— Convertible bonds redeemable after five years *(Note 17)*	1,030	—
	3,296	5,056

24. Income tax (Credit)/expense

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.

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

	2006	**2005**
	HK$'000	*HK$'000*
Current taxation		
Mainland China enterprise income tax		
— (Write-back)/provision	(5,007)	1,463
— Deferred taxation	—	4,483
	(5,007)	5,946

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:

	2006	**2005**
	HK$'000	*HK$'000*
Loss before income tax	(16,995)	(4,497)
Tax calculated at the weighted average domestic tax rates applicable to losses in the respective places/countries	(1,634)	(308)
Effect of		
— income not subject to tax	27	(36)
— expenses not deductible for tax	1	338
— deferred tax assets not recognised	1,606	2,043
— reversal of previously recognised deferred tax assets	—	4,483
— overprovisions in prior years	(5,007)	(574)
Tax (credit)/expense	(5,007)	5,946

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.

27. Cash flow statements

(a) Cash generated from operations

	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	(16,995)	(4,497)
Interest income	(1,707)	(580)
Interest expense	3,296	5,056
Dividend income	—	(659)
Depreciation of plant and equipment	373	1,016
Loss on disposal of plant and equipment	23	87
Amortisation of website development costs	15	27
(Gain)/Loss on disposal of subsidiaries, net	(98)	63
Gain on disposal of investments, net	—	(911)
Write-back of provision for claim	(2,977)	—
Operating loss before working capital changes	(18,070)	(398)
Decrease in inventories	56,961	35,850
(Increase)/decrease in deposits for purchase of inventories	(44,128)	5,749
(Increase)/decrease in trade receivables	(798)	23,914
Decrease in prepayments, deposits and other receivables	10,788	5,876
Decrease in trade payables	(57,128)	(148,697)
Increase in other payables and accruals	37,780	14,361
Increase in receipts in advance	8,276	11,182
Translation adjustments	291	(86)
Net cash outflow generated from operations	(6,028)	(52,249)

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

	2006	2005
	HK$'000	*HK$'000*
Net book amount *(Note 6)*	38	216
Loss on sales of plant and equipment	(23)	(87)
Proceeds from sales of plant and equipment	15	129

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

Net assets disposed of:

	2006 *HK$'000*	2005 *HK$'000*
Plant and equipment	635	469
Long-term investment	780	—
Inventories	11,576	296
Deposits for purchase of inventories	71,515	56,186
Prepayments, deposits and other receivables	—	501
Trade receivables	4,660	3,302
Cash and cash equivalents	11,042	2,890
Accounts and bills payable	(26,974)	(14,730)
Accruals and other payables	(55,743)	(9,519)
Receipts in advance	(12,740)	(35,991)
Taxation payable	(4,653)	(311)
Net assets	98	3,093
Total consideration	98	3,030
	—	(63)
Realisation of cumulative translation adjustments	98	—
Gain/(loss) on disposal	98	(63)
Satisfied by:		
Other receivables *(i)*	98	1,536
Cash	—	1,494
	98	3,030
Analysis of cash flows:		
Purchase consideration received in cash	—	1,494
Cash and cash equivalents disposed	(11,042)	(2,890)
Receipt of prior year receivable *(i)*	1,536	—
	(9,506)	(1,396)

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

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.

Details of movement in the share options were as follows:

					Number of options			
Name	Date of grant	Exercise price per share	Vesting period	Exercise period	Beginning of year	Lapsed during the year	Cancelled during the year	End of year
					'000	*'000*	*'000*	*'000*
<u>Old Scheme</u>								
Directors:								
Mr. Andrew Yao Cho Fai	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)	—
Employees:								
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)	—
<u>New Scheme</u>								
In aggregate					—	—	—	—
					54,750	(2,000)	(52,750)	—

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

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)*.

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:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	937	705
Later than one year and not later than five years	904	322
	1,841	1,027

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.

33. Related party transactions

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

	2006	**2005**
	HK$'000	*HK$'000*
Name of related party/Nature of transaction		
Van Shung Chong Hong Limited *(i)*		
— Purchases made by the Group	220,257	339,246
— Commission from procurement services earned by the Group	—	2,221
— Interest charged to the Group	1,154	3,380
— Administrative services fees charged to the Group	30	360
CFY Enterprises Limited *(i)*		
— Rental expense charged to the Group	13	162
— Rates, management fees and utilities charged to the Group	9	—
Ajia Partners (HK) Limited *(ii)*		
— Rental expense charged to the Group	583	—
— Administrative services fee charged to the Group	598	—
North Asia Strategic Advisors *(iii)*		
— Placement fee charged to the Group	7,800	—

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:

	2006	2005
	HK$'000	*HK$'000*
Name of related company		
Van Shung Chong Hong Limited *(i)*	36,916	118,843

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

(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:

	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	3,843	2,191
Retirement benefits		
— defined contribution scheme	12	24
	3,855	2,215

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:

	2006	2005
	HK$'000	*HK$'000*
Balance at beginning of year	—	4,483
Deferred taxation credit for the year	—	(4,483)
Balance at end of year	—	—

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."

3. UNAUDITED CONSOLIDATED FIRST QUARTER FINANCIAL STATEMENTS

Set out below is the unaudited first quarter results of the NAS Group for the three months ended 30th June 2006 as extracted from pages 3 to 9 of the first quarterly report of the Company. References to page numbers in this section are to the page numbers of such first quarterly report.

"Results

The followings are the unaudited consolidated results 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 three months ended 30th June 2006 together with the comparative unaudited figures for the corresponding period in 2005:

		For the three months ended 30th June	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
Revenue	*2*		
— Sales		66,320	97,981
— Commission		—	943
		66,320	98,924
Cost of sales		(66,390)	(96,597)
Gross (loss)/profit		(70)	2,327
Other gains — net	*3*	16,150	3,065
Selling and distribution expenses		(21)	(932)
General and administrative expenses		(9,694)	(3,059)
Operating profit		6,365	1,401
Finance costs		(200)	(1,138)
Profit before income tax		6,165	263
Income tax expense	*4*	(2)	(213)
Profit for the period, attributable to equity holders of the Company		6,163	50
Profit per share for profit attributable to the equity holders of the Company during the period			
— Basic	*5*	HK6.4 cents	HK0.3 cents
— Diluted	*5*	HK0.08 cents	N/A

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong (the "GEM Listing Rules").

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March 2006.

The Group has not early adopted the following new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRS") that have been issued but are not effective. The Company's Directors and the Group's management anticipate that the adoption of these HKFRSs in future periods will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital disclosures (i)
HKFRS 7	Financial Instruments: Disclosures (i)

(i) Effective for annual periods beginning on or after 1st January 2007.

2. Turnover

Turnover represents the net invoiced value of merchandise sold after allowances for returns and discounts.

3. Other gains — net

	For the three months ended 30th June	
	2006	**2005**
	HK$'000	*HK$'000*
Interest income	2,917	88
Amortised interest income *(note 9)*	13,231	—
Write-back of provision for claim	—	2,977
Others	2	—
	16,150	3,065

4. Income tax expense

Income tax expense consisted of:

	For the three months ended 30th June	
	2006	**2005**
	HK$'000	*HK$'000*
Mainland China enterprise income tax		
— Provision	2	213

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 during the three months ended 30th June 2006 (2005: Nil). Subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at rates ranging from 15% to 33% (2005: 15% to 33%).

5. Profit per share

The calculations of basic profit per share for the three months ended 30th June 2006 were based on the unaudited consolidated profit attributable to shareholders of approximately HK$6,163,000 (2005: HK$50,000) and on the weighted average number of approximately 95,795,000 (2005: 15,967,000 — after reflecting the consolidation of 100 shares into 1 share) shares in issue during the period.

The calculations of diluted profit per share for the three months ended 30th June 2006 were based on the unaudited consolidated profit attributable to shareholders of approximately HK$6,274,000 and on the weighted average number of approximately 7,606,675,000 ordinary shares outstanding to assume conversion of all potential dilutive shares. The Company's dilutive potential ordinary shares are convertible bonds and preference shares (2005: no diluted profit per share was presented as the outstanding share options were anti-dilutive).

	HK$'000
Profit attributable to equity holders of the Company	6,163
Adjustment for convertible bonds accrued interest expense	111
	6,274

	'000
Weighted average number of ordinary shares in issue	95,795
Adjustment for convertible bonds	127,714
Adjustment for preference shares	7,383,166
	7,606,675

6. Dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 30th June 2006.

7. Movements in share capital and reserves

For the three months ended 30th June 2006, movements in share capital and reserves are as follows:

	Unaudited				
	Attributable to equity holders of the Company				
	Ordinary share capital	Preference share capital	Other reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance, 1st April 2005	159,659	—	13,818	(171,340)	2,137
Profit for the period	—	—	—	50	50
Issue of shares upon exercise of warrants	30	—	—	—	30
Balance, 30th June 2005	159,689	—	13,818	(171,290)	2,217
Loss for the period	—	—	—	(12,038)	(12,038)
Capital reorganisation	(159,529)	—	159,529	—	—
Elimination of accumulated losses	—	—	(161,644)	161,644	—
Issue of ordinary shares					
— under a subscription agreement	639	—	9,361	—	10,000
— under an open offer	159	—	2,341	—	2,500
Issue of preference shares	—	73,832	980,764	—	1,054,596
Share issue expenses					
— ordinary shares	—	—	(2,186)	—	(2,186)
— preference shares	—	—	(12,173)	—	(12,173)
Convertible bonds — equity component	—	—	6,388	—	6,388
Translation adjustments — net	—	—	291	—	291
Balance, 31st March 2006	958	73,832	996,489	(21,684)	1,049,595
Profit for the period	—	—	—	6,163	6,163
Translation adjustments — net	—	—	151	—	151
Balance, 30th June 2006	958	73,832	996,640	(15,521)	1,055,909

Movements in other reserves

	Share premium	Contributed surplus	Convertible bonds	Capital reserve	Cumulative translation adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance, 1st April 2005 and 30th June 2005	11,099	—	—	2,700	19	13,818
Capital reorganisation	(11,099)	170,628	—	—	—	159,529
Elimination of accumulated losses	—	(161,644)	—	—	—	(161,644)
Issue of ordinary shares						
— under a subscription agreement	9,361	—	—	—	—	9,361
— under an open offer	2,341	—	—	—	—	2,341
Issue of preference shares	980,764	—	—	—	—	980,764
Share issue expenses						
— ordinary shares	(2,186)	—	—	—	—	(2,186)
— preference shares	(12,173)	—	—	—	—	(12,173)
Convertible bonds — equity component	—	—	6,388	—	—	6,388
Translation adjustments — net	—	—	—	—	291	291
Balance, 31st March 2006	978,107	8,984	6,388	2,700	310	996,489
Translation adjustments — net	—	—	—	—	151	151
Balance, 30th June 2006	978,107	8,984	6,388	2,700	461	996,640

8. Convertible bonds

On 8th August 2005, the Company issued convertible bonds at par value of HK$20 million.

The bonds will mature in August 2010 or can be converted into a total of approximately 127,714,000 shares at the holders' option of HK$0.1566 per share. In addition, the holders will have the right to request the Group to redeem in whole or in part the outstanding bonds on a date which is five business days after 30th November 2007.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for a term loan offered to the Group. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as other reserves *(Note 7)*.

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

	As at	
	30th June 2006	**31st March 2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Face value of convertible bonds issued on 8th August 2005	20,000	20,000
Equity component	(6,388)	(6,388)
Liability component on initial recognition at 8th August 2005	13,612	13,612
Accrued interest expense	1,141	1,030
Liability component	14,753	14,642

The fair value of the liability component of the convertible bonds at 30th June 2006 amounted to approximately HK$14,753,000.

The fair value is calculated using cash flows discounted at a rate based on the offered term loan rate of 8% per annum.

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the liability component.

9. Preference shares

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 7,383,166,000 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placements, 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 rank pari passu with the ordinary shares with regards to dividends.

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

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

	As at 30th June 2006 HK$'000 (Unaudited)	As at 31st March 2006 HK$'000 (Audited)
Subscription receivables	867,153	867,153
Less: Future interest	(101,608)	(101,608)
Add: Amortised interest income *(note 3)*	13,231	—
Subscription receivables at fair value	778,776	765,545
Less: Non-current portion	(502,956)	(494,135)
Current portion	275,820	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.

10. Subsequent events

Subsequent to 30th June 2006, on 20th July 2006, the Company entered into a subscription agreement with Woori Bank for the placement of approximately 792,848,000 non-redeemable convertible preference shares (the "Placement") of the Company for a consideration of approximately HK$124.2 million. Details of the Placement are contained in an announcement of the Company dated 26th July 2006 and the Placement is subject to the Company's shareholders' approval.

In addition, on 2nd August 2006, Best Creation Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Autron Corporation Limited (the "Vendor") for the acquisition of the entire issued share capital of its wholly-owned subsidiaries, American Tec Company Limited and Autron India Private Limited (collectively the "Target Group"), for a total cash consideration of US$60.0 million (equivalent to approximately HK$465.6 million), subject to the fulfilment of certain conditions contemplated under the sale and purchase agreement. The Target Group is principally engaged in the business of trading in surface mount technology and printed circuit board assembly equipments, machinery and spare parts and the provision of related installation, training, repair and maintenance services. Details of the acquisition of the Target Group are contained in an announcement of the Company dated 11th August 2006. The acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules and is subject to its shareholders' approval."

4. STATEMENT OF INDEBTEDNESS

(a) The NAS Group

Borrowings

As at the close of business on 31st August 2006, being the last practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the NAS Group had outstanding secured short-term bank borrowings and unsecured convertible bonds of approximately HK$46.3 million and HK$20.0 million respectively. The secured short-term bank borrowings were denominated in Hong Kong dollars and bore interest at rates ranging from approximately 5.6% to 6.6% per annum. The unsecured convertible bonds were denominated in Hong Kong dollars and had a zero coupon rate.

Security

The short-term bank borrowings were secured by:

(i) pledge of the NAS Group's bank deposit of approximately HK$46.4 million; and

(ii) guarantee provided by the Company.

(b) The Target Group

Borrowings

As 31st August 2006, the Target Group had outstanding borrowings of approximately HK$135.7 million comprising secured bank borrowings of approximately HK$9.7 million, other secured borrowings of approximately HK$45.4 million and unsecured bank and other borrowings of approximately HK$80.6 million.

Security

As at 31st August 2006, banking facilities to the extent of approximately HK$55.2 million of the Target Group were secured by finance lease receivables of HK$4.9 million, bills receivables of HK$9.7 million, trade receivables of HK$7.8 million and deposits of HK$10.4 million. The carrying value of these assets pledged was approximately HK$32.8 million as at 31st August 2006.

Contingent Liabilities

As at 31st August 2006, the Target Group gave performance bonds and bid bonds to customers for due performance of the sales contracts amounting to approximately HK$0.7 million.

(c) Disclaimer

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31st August 2006, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31st August 2006 and up to the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2006, the date to which the latest audited consolidated financial statements of the Group were made up.

6. WORKING CAPITAL

The Directors are of the opinion that taking into account the Enlarged Group's internal resources, the presently available banking and other facilities, the receipt by the Company of the second installment of subscription monies from the placees under the Placements and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for a period of 12 months from the date of this circular.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for the three years ended 31st March 2004, 2005 and 2006:

For the year ended 31st March 2004

"Financial and Business Performance

For the year ended 31st March 2004, the iSteelAsia Group recorded a turnover of approximately HK$1,429 million, representing a 76.2% in growth by comparing the results in last year. With an exceptional impairment loss of the investment in AcrossAsia Multimedia Limited ("AAM") of approximately HK$20,414,000 by reclassifying the amount from investment revaluation reserve (already reflected in the Group's prior years' balance sheet, as such no effect to the Group's net assets value from this reclassification) to profit and loss account, the consolidated loss attributable to Shareholders for the year ended 31st March 2004 was approximately HK$25,711,000. The investment net book value of AAM shares was HK$0.187 per share which represents the market price of AAM shares as at 31st March 2004. Taking out the effect of the impairment loss, the loss from operation was approximately HK$5,297,000. For the year under review, such operating result recorded was less than satisfactory as compared to the profit attributable to shareholders of approximately HK$6,590,000 for the previous year ended 31st March 2003. Due to the outbreak of epidemics of severe acute respiratory syndrome ("SARS") in March 2003, the first few quarterly results during the year ended 31st March 2004 had been severely affected, especially the results of three months ended 30th September 2003 ("Q2") and three months ended 31st December 2003 ("Q3"). As stated in the third quarterly report, the first six months in particular, a majority of the iSteelAsia's markets (namely, Guangzhou, Tianjin and Beijing) were severely affected by the unexpected epidemics of SARS in a manner significantly worse than the management's expectation. Business activities and demands in these cities halted and dropped to near zero due to the inter-city quarantine restrictions, and in turn adversely affected the market prices and also customer demands of our steel products which increased inventory stock-up costs as customers were refrained from doing business. Fortunately, with persistent management efforts, the customers' demands and sales prices had picked up again in three months ended 31st March 2004 ("Q4") and thus, greatly improved our results in Q4. As compared to the loss of approximately HK$6,442,000 for the nine months ended 31st December 2003, the Group has successfully bucked the loss trend into a profit by capturing a profit attributable to shareholders of approximately HK$1,145,000 in Q4. During the year under review, the gross margin dropped in Q2 and rebounded in Q4 (Q1 - 2.6%, Q2 - 1.8%, Q3 - 2.6% and Q4 - 4.2%).

During the year under review, the Group had extended its sales activities by setting 2 more offices in the second tier cities such as Wuxi and Shunde (Le Chong), which enhanced the ability to grow market shares in China and further diversify the existing customer bases. However, such strategy also increased the operating cost of the Group. For the year ended 31st March 2004, total cost excluding cost of inventories sold, impairment loss of AAM shares and finance costs ("Operating Cost") was approximately HK$36,573,000, representing an increase of 11.1% as compared to that of last year. The increase was mainly due to PRC market expansion and additional selling and distribution costs incurred which were necessary to support the rapid growth in turnover. Using turnover as a base factor, Operating Cost to turnover ratio had decreased from 72.1% in early 2001 and stabilised at around 2.6%, reflecting the Group's successful efforts in optimising its resources for economy of scale to achieve business growth.

Financial resources and liquidity

As at 31st March 2004, the iSteelAsia Group's aggregate short-term bank borrowings, comprising trust receipts bank loans and short-term working capital bank loans, were approximately HK$51,426,000 (2003: HK$57,134,000). The short-term working capital bank loans amounted to approximately HK$24,570,000 (2003: HK$18,947,000) with interest rates ranging from 4.5% to 5.4% per annum (2003: 5.0% to 5.8% per annum). As at 31st March 2004, the gearing ratio (short-term bank borrowings divided by the shareholders' equity) was approximately 4.07 (2003: 4.28). The decrease in the gearing ratio was due to the decrease of short-term bank borrowings since the level of inventory has decreased. As at 31st March 2004, the iSteelAsia Group had aggregate banking facilities of approximately HK$159,155,000 (2003: HK$122,540,000) offered by several banks for overdrafts, loans and trade financing. Unused facilities as at the same date amounted to approximately HK$69,691,000 (2003: HK$37,131,000). These facilities were secured by (a) pledged bank deposits of approximately HK$34,439,000 (2003: Nil); (b) corporate guarantees provided by iSteelAsia and/or (c) the iSteelAsia Group's inventories held under trust receipts bank loan arrangement.

Subsequent to 31st March 2004, a foreign bank had granted the iSteelAsia Group a facility of US$7.5 million.

Cash and bank deposits

As at 31st March 2004, bank deposits of approximately HK$34,439,000 (2003: Nil) were pledged as collateral for the Group's banking facilities.

As at 31st March 2004, the iSteelAsia Group's cash and bank deposits amounted to approximately HK$89,872,000 (2003: HK$49,240,000), of which approximately HK$42,448,000 were denominated in Renminbi and deposited with the banks in the China.

Investments

Investments for the Group only comprised equity interests in Stemcor Holdings Limited ("Stemcor") and AAM.

Under a share subscription agreement with Stemcor, Stemcor has granted the iSteelAsia Group a put option under which the iSteelAsia Group may require Stemcor to repurchase all of the shares subscribed by the iSteelAsia Group for HK$23,400,000 (equivalent to US$3,000,000). The due date for exercising the put option has been extended from 31st October 2002 to 31st October 2003 and further to 31st October 2004. On 13th May 2004, the iSteelAsia Group exercised its put option to sell its 3.5% equity interest in Stemcor for HK$23,400,000 which was satisfied by a nine-month promissory note issued by Stemcor.

During the year ended 31st March 2004, the iSteelAsia Group had received dividend income of approximately HK$421,000 (2003: HK$311,000) from Stemcor. The return on investment was approximately 1.80% (2003: 1.33%).

In August 2001, the iSteelAsia Group acquired approximately 0.23% equity interest in AAM at a consideration of approximately HK$22,550,000 which had been satisfied in full by the issue and allotment of iSteelAsia's ordinary shares. As at 31st March 2004, the carrying value of the investment in AAM was approximately HK$2,136,000 (which is HK$0.187 per share, representing the market price as at 31st March 2004) after a deficit on revaluation of such investment of approximately HK$20,414,000. Such deficit had already been reflected in the iSteelAsia Group's net assets value and dealt with in the investment revaluation reserve of the Group's balance sheet in the prior years. As at 31st March 2004, the Group had taken a conservative approach to transfer the deficit from the investment revaluation reserve to the profit and loss account and recognised an impairment loss of the investment in AAM of approximately HK$20,414,000.

Treating it as a long-term investment, the management has and will continue to closely monitor AAM's performance. Nevertheless, from an operational side, the Directors believe that the acquisition is beneficial to forming a strategic relationship with a player of good connection in the region.

Foreign currency exposure

The foreign currency exposure of the iSteelAsia Group is mainly driven by its business operations. The sales receipts are collected in Renminbi, United States dollars and Hong Kong dollars depending on the locations of the customers. On the other hand, the steel products purchases are mainly denominated in United States dollars and Renminbi. Therefore, with a comparatively minimal fluctuation in exchange rates between United States dollars with Renminbi and Hong Kong dollars, the iSteelAsia Group considers the foreign currency exposure is minimal for the year under review. The iSteelAsia Group will continue to exert efforts in managing its potential currency risk profile in the future.

Number of employees and remuneration policies

As at 31st March 2004, the iSteelAsia Group employed 80 (2003: 83) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. The iSteelAsia 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$15,232,000 (2003: HK$14,870,000)."

For the year ended 31st March 2005

"Financial and Business Performance

For the year under review, the iSteelAsia Group recorded a loss attributable to Shareholders of approximately HK$10,443,000, an approximately 59% decline from last financial year's loss figure of approximately HK$25,711,000. However, on a closer analysis of the figures, the iSteelAsia Group's performance of its core trading operations as represented by the operating loss of HK$352,000 (after excluding the gain on disposal of investments, net of approximately HK$911,000) for the year reflected a reduction in profit of approximately HK$3,646,000 as compared to the similar figure of approximately HK$3,294,000 (after excluding the impairment loss of an investment of approximately HK$20,414,000) for the previous year ended 31st March 2004. This weakening of operational profitability was mainly due to the continued challenging operating environment caused by the volatility in the steel prices and the selective austerity measures implemented by the PRC Central government during the financial year. Under such circumstances, the management proactively implemented efforts in consolidating the Group's limited financial resources to focus more on the selected higher margin steel products and selected geographic areas that could have brought greater returns. During the year under review, the Group has consolidated the coverage of the Beijing and Tianjin markets with its Shanghai office through the exiting of the two local offices there. The result of these efforts could be evidenced from the fact that, despite the decrease in turnover, the gross margin for the year increased 33% to approximately 3.6% by comparing the previous year's gross margin of 2.7%. On the investment front, the Group has also divested various investments including the receiving of the initial invested capital from its investment in Stemcor Holdings Limited ("Stemcor"), and also divested its investment in AcrossAsia Limited (formerly known as AcrossAsia Multimedia Limited), and reallocating these capitals for its core operations. At the same time, in light of the poor market condition and the risks so associated with, the management of the iSteelAsia Group has also taken a prudent review on the carrying value of its assets and the operations and made necessary provisions for diminution in value relating to inventories, receivables, deferred tax assets and deposits in dispute amounting to approximately HK$9,889,000. Such provisions have been made on a conservative scenario basis.

In the meantime, the management of the Group successfully made its efforts in optimising resources for the economy of scale to achieve business growth over the year. It was mainly done through decreasing total cost excluding cost of inventories sold and finance costs ("Operating Cost") from approximately HK$36,573,000 in last year to approximately HK$32,633,000 this year, representing a decrease of about 11% over the same period. Although turnover decreased, interest expense from the year amounts to approximately HK$5,056,000 representing approximately 0.59% of the turnover, while interest expense represented only 0.55% of the turnover for the previous financial year due to an increasing interest rate.

Financial resources and liquidity

As at 31st March 2005, the iSteelAsia Group's aggregate short-term bank borrowings, comprising trust receipts bank loans and short-term working capital bank loans, were approximately HK$24,360,000 (2004: HK$51,426,000). The short-term working capital bank loans amounted to approximately HK$21,735,000 (2004: HK$24,570,000) with interest rates ranging from 5.5% to 5.6% per annum (2004: 4.5% to 5.4% per annum). As at 31st March 2005, the gearing ratio (short-term bank borrowings divided by the shareholders' equity) was approximately 11.40 (2004: 4.07). The alarmingly large jump (180%) in the gearing ratio reflects the Group has significantly increased its leverage during the year under review. Although short-term bank borrowings has decreased resulting from a decrease in the Group's inventory level, it is still not sufficient to compensate for the Group's decrease in its equity value. The decrease in equity value caused by the Group's losses over the years, coupled with the macro sentiment of an increasingly risky profile for the volatile steel sector has prompted a tightening of banking resources available to the Group. As at 31st March 2005, the iSteelAsia Group had aggregated banking facilities of approximately HK$88,125,000 (2004: HK$159,155,000) derived mainly from several banks for overdrafts, loans, and trade financing. Unused facilities as at the same date amounted to approximately HK$63,765,000 (2004: HK$69,691,000). These facilities were secured by (a) corporate guarantees provided by iSteelAsia and/or (b) the iSteelAsia Group's inventories held under trust receipts bank loan arrangement and pledged bank deposits.

In addition to the above said banking facilities, the Group also relies substantively from its largest Shareholder — Van Shung Chong Holdings Limited ("VSC") (Stock code: 1001) together with its subsidiaries ("the VSC Group") by leveraging off the VSC Group's aggregate purchasing power. Using the VSC Group as a supplier to the Group, the Company is able to enjoy much more favorable terms from the steel mills. As of the financial year end of 2004/05, the Group had outstanding balance due to the VSC Group in excess of HK$118,000,000 (2003/04: in excess of HK$205,000,000).

Cash and cash equivalents

As at 31st March 2005, bank deposits of approximately HK$16,080,000 (2004: HK$34,439,000) were pledged as collateral for the Group's banking facilities.

As at 31st March 2005, the iSteelAsia Group's cash and bank deposits amounted to approximately HK$29,343,000 (2004: HK$89,872,000), of which approximately HK$11,701,000 was denominated in Renminbi and deposited with the banks in China.

Investments

During the year, investments comprised equity interests in Stemcor.

Under a share subscription agreement with Stemcor, Stemcor has granted the iSteelAsia Group a put option under which the iSteelAsia Group may require Stemcor to repurchase all of the shares subscribed by the iSteelAsia Group for HK$23,400,000 (equivalent to US$3,000,000). The put option will be exercisable by the iSteelAsia Group no earlier than the date on which the amount of shareholders' equity of Stemcor falls below £15,000,000 as shown in the management accounts of Stemcor from time to time or 30th April 2002, whichever is earlier, and no later than 31st October 2002 according to the Put Option Agreement. The due date for exercising the put option has been extended from 31st October 2002 to 31st October 2003 and further to 31st October 2004. At 13th May 2004, the iSteelAsia Group exercised its put option to sell its 3.5% equity interest in Stemcor for HK$23,400,000 which was satisfied by a nine-month promissory note issued by Stemcor. Subsequently, the promissory note was realised at the maturity date on 1st March 2005.

During the year ended 31st March 2005, the iSteelAsia Group had received dividend income of approximately HK$659,000 (2004: HK$421,000) from Stemcor. The return on investment was approximately 2.82% (2004: 1.80%).

Foreign currency exposure

The foreign currency exposure of the iSteelAsia Group is mainly driven by its business operations. The sales receipts are collected in Renminbi, United States dollars and Hong Kong dollars, mainly depending on the locations of the customers. On the other hand, the steel products purchases are mainly denominated in United States dollars and Renminbi. Therefore, with a comparatively minimal fluctuation in exchange rates between United States dollars with Renminbi and Hong Kong dollars, the iSteelAsia Group considers the foreign currency exposure is minimal for the year under review. The iSteelAsia Group will continue to exert efforts in managing its potential currency risk profile in the future.

Number of employees and remuneration policies

As at 31st March 2005, the iSteelAsia Group employed 42 (2004: 80) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. The iSteelAsia 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$9,416,000 (2004: HK$15,232,000)."

For the year ended 31st March 2006

"Financial and Business Performance

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

For the year under review, the Group recorded a loss attributable to shareholders of approximately HK$11,988,000, an approximately 14.8% increase from last financial year's loss figure of approximately HK$10,443,000. This was mainly attributable to additional general and administrative expenses and interest expenses totaling approximately HK$16.2 million and HK$1 million incurred by Group after the change of the controlling shareholders on 9th August 2005 in the current financial year. Discounting the effect of these additional general and administrative expenses and interest expenses, the Group achieved an operating profit of approximately HK$1.1 million and profit of approximately HK$3.8 million from its principal activities of steel trading and procurement services in the current financial year, as compared to an operating loss of approximately HK$352,000 (after excluding the gain on disposal of investments, net of approximately HK$911,000) and net loss of approximately HK$10,443,000 in last financial year. The profit of approximately HK$3.8 million generated from the core steel trading operation in current financial year was mainly due to the write-back of overprovided taxation of approximately HK$5 million resulting mainly from the divestment of certain subsidiaries. Discounting the effect of this write-back of over-provided taxation, the Group recorded a net loss of approximately HK$1,177,000 from its principal activities of steel trading and procurement services, an approximately 89% decline from last financial year's net loss of approximately HK$10,443,000.

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

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

Liquidity and Financial Resources

As at 31st March 2006, 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.

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)."

8. OUTLOOK OF THE NAS GROUP

In light of the continued volatility of the steel prices and continuous deployment of austerity program implemented to the PRC steel market, the NAS Group has started to focus on the trading of higher margin stainless steel. The NAS Group will continue to manage the steel trading operation with very cautious approach and focus on improving its cost efficiency and effectiveness. The NAS Group has also started to trade electronics equipments and look for other products for trading.

The NAS Group has successfully completed three placements during the period from August 2005 up to September 2006, raising a total of approximately HK$1,310.4 million before expenses from its existing controlling shareholders and 20 institutional and professional investors for future expansion and diversification plans. The NAS Group is of the view that the Placements are beneficial to the NAS Group in the long run, as they substantially enhances the NAS Group'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. The NAS Group is 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 bring greater return to Shareholders.

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

ERNST & YOUNG
安永會計師事務所

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

13th October 2006

The Directors
North Asia Strategic Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to American Tec Company Limited ("Amtec") and its subsidiaries (hereinafter collectively referred to as "Amtec Group") for each of the three years ended 30th June 2004, 2005 and 2006 (the "Relevant Periods") for inclusion in the circular of North Asia Strategic Holdings Limited (the "Company") dated 13th October 2006 (the "Circular") in relation to the proposed acquisition of the entire issued share capital of Amtec (the "Acquisition").

Amtec was incorporated with limited liability under the Hong Kong Companies Ordinance (the "Companies Ordinance") on 7th January 1986. During the Relevant Periods, Amtec was principally engaged in the trading of electronic products, machinery and spare parts, provision of installation, training, repair and maintenance services and leasing of machinery.

The financial information of Amtec Group for the Relevant Periods is prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. We have audited the financial statements of Amtec Group for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA.

For the purpose of this report, we have examined the audited financial statements of Amtec Group for the Relevant Periods in accordance with HKSA, and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of Amtec Group for the Relevant Periods, the consolidated balance sheets of Amtec Group as at 30th June 2004, 2005 and 2006 and the balance sheets of Amtec as at 30th June 2004, 2005 and 2006, together with the notes thereto (collectively the "Financial Information") as set out in this report have been prepared and are presented on the basis as set out in Section 1 below.

The preparation of the Financial Information is the responsibility of the directors of the Company who approve its issuance. The directors of the Company are responsible for the content of the Circular relating to Amtec Group in which this report is included. It is our responsibility to form an independent opinion on such information and to report our opinion to you. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Amtec and Amtec Group as at 30th June 2004, 2005 and 2006 and of the consolidated results and cash flows of Amtec Group for the Relevant Periods.

1. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated. The Financial Information has been prepared using accounting policies which are materially consistent with the Company.

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning or after 1st January 2005. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, Amtec Group has early adopted the following new and revised HKFRSs:

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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases

HKAS 18	Revenue
HKAS 19	Employee Benefits
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: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Impact of issued but not yet effective HKFRSs

Amtec Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January 2006.

HKAS 1 Amendment	Capital Disclosures
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January 2007. The revised standard will affect the disclosures about qualitative information about Amtec Group's objective, policies and processes for managing capital; quantitative data about what Amtec regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

As at the balance sheet dates, certain of the banking facilities granted to the ultimate holding company and fellow subsidiaries were guaranteed by Amtec. Amtec Group has already commenced an assessment of the impact of this revised HKFRS but is not yet in a position to state whether this revised HKFRS would have a significant impact on its results and financial position.

Except as stated above, Amtec Group expects that the adoption of the other pronouncements listed above will not have any significant impact on Amtec Group's financial statements in the period of initial application.

Basis of consolidation

The Financial Information includes the financial statements of Amtec and its subsidiaries for the Relevant Periods. Adjustments are made to bring in line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which Amtec Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within Amtec Group are eliminated on consolidation.

As at the date of this report, Amtec had direct interests in the following principal subsidiaries. The particulars of which are set out below:

Name	*Note*	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to Amtec	Principal activities
深圳市澳通美亞電子科技有限公司 ("ATSZ")	*(a)*	The People's Republic of China (the "PRC")	RMB1,500,000	100 *	Trading of electronic products, machinery and spare parts and provision of repair and installation services

Name	*Notes*	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to Amtec	Principal activities
Tianjin American Tec Trading Co., Ltd.	*(b)*	The PRC	US$200,000	100	Trading of electronic products, machinery and spare parts and provision of repair and maintenance services
Autron American Technology Co., Ltd.	*(c)*	The PRC	US$200,000	100	Not yet commenced business
Ouye Meiya Science and Technology (Shenzhen) Co., Ltd. ("Ouye Meiya")**	*(d)*	The PRC	HK$5,000,000	100	Deregistered
American Tec Co. (L) BHD***	*(e)*	Malaysia	US$2,500	100	Deregistered

Notes:

(a) The statutory financial statements for the year ended 31st December 2005 were audited by Shenzhen Shenxin Certified Public Accountants, certified public accountants registered in the PRC.

(b) The statutory financial statements for the year ended 31st December 2005 were audited by Tianjin Tianrui Certified Accountants Firm Ltd., certified public accountants registered in the PRC.

(c) The statutory financial statements for the year ended 31st December 2004 and 2005 were audited by Shanghai East Asia Certified Public Accountants Co. Ltd., certified public accountants registered in the PRC.

(d) The statutory financial statements for the year ended 31st December 2004 were audited by Shenzhen Forever Certified Accountants, certified public accountants registered in the PRC.

(e) American Tec Co. (L) BHD has not yet commenced business since its incorporation. Hence, no statutory financial statements were issued.

* ATSZ was registered as a wholly sino-owned enterprise under the PRC law. Amtec Group advanced the capital fund to ATSZ whereas it is registered and legally owned by third parties — Huang Mei and Huang Pubing (collectively the "Huangs"). The Huangs are nominees for Amtec's ownership in ATSZ. Pursuant to the memorandum entered into between Amtec and the Huangs dated 26th September 2005, the Huangs agreed to surrender their rights to share the profits and voting power in ATSZ to Amtec at nil consideration. The directors consider that Amtec Group has unilateral control over the operation and management of ATSZ and legal opinion was obtained concurring with the directors. Accordingly, all assets, liabilities and the operating results of ATSZ are consolidated into the Financial Information as if it is a wholly-owned subsidiary of Amtec Group.

** Ouye Meiya was deregistered in the PRC on 5th September 2005.

*** American Tec Co. (L) BHD was deregistered in Malaysia on 14th September 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which Amtec, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which Amtec has a contractual right to exercise a dominant influence with respect to that entity's operation and financial policies.

The results of subsidiaries are included in Amtec's income statements to the extent of dividends received and receivable. Amtec's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to Amtec Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, Amtec Group; (ii) has an interest in Amtec Group that gives it significant influence over Amtec Group; or (iii) has joint control over Amtec Group;

(b) the party is a member of the key management personnel of Amtec Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10% to 18%
Machinery	10%
Demonstration equipment	20%
Furniture and fixtures	18% to 25%
Office equipment	18% to 25%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to Amtec Group, other than legal title, are accounted for as finance leases. Where Amtec Group is the lessor, at the inception of a finance lease, the net investment in financial leases is recorded at the present value of the minimum lease payments receivable, excluding the interest element, to reflect the sale and financing thereof. The finance income of such leases is recognised in the income statement so as to provide a constant periodic rate of return on the net investment in finance leases over the lease terms. Where Amtec Group is the lessee, at the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remained with the lessor are accounted for as operating leases. Where Amtec Group is the lessor, assets leased by Amtec Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where Amtec Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Amtec Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that Amtec Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

Amtec Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

Amtec Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- Amtec Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

- Amtec Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where Amtec Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Amtec Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Amtec Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of Amtec Group's continuing involvement is the amount of the transferred asset that Amtec Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of Amtec Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedging

Amtec Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of machinery and spare parts is calculated using the specific costs of purchases and average cost basis, respectively, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Amtec Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Amtec Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that Amtec Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) commission, service and management fee income, when the relevant services are rendered;

(c) finance lease and interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) rental income, on a time proportion basis over the lease terms.

Employee benefits

Pension schemes

Amtec operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of Amtec in an independently administered fund. Amtec's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain employees of a subsidiary of Amtec in Mainland China are members of the Central Pension Scheme operated by the Chinese government. The subsidiary is required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for Amtec Group with respect to the Central Pension Scheme is the required contributions, which are charged to the income statement in the year to which they relate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim/special dividends are simultaneously proposed and declared, because Amtec's memorandum and articles of association grant the directors the authority to declare interim/special dividends. Consequently, interim/special dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in Hong Kong dollars, which is Amtec's functional and presentation currency. Each entity in Amtec Group determines its own functional currency and items included in the Financial Information of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of Amtec at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Judgements

In the process of applying Amtec Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Derecognition of financial assets — Receivables factoring arrangements

Amtec Group has entered into certain receivables purchase arrangements with financing companies on its trade and finance lease receivables. Amtec Group has determined that it retains substantially all the risks and rewards of ownership of these trade and finance lease receivables, either the risks in respect of default payments or the time value of money, which are purchased by the relevant financing companies. Accordingly, the relevant trade and finance lease receivables are not derecognised.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

3. CONSOLIDATED INCOME STATEMENTS

The following is a summary of the consolidated income statements of Amtec Group for the Relevant Periods, which is presented on the basis set out in Section 1 above:

		Year ended 30th June		
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	*(a)*	544,641	569,544	1,123,964
Cost of sales		(455,256)	(484,815)	(981,670)
Gross profit		89,385	84,729	142,294
Other income and gains	*(a)*	1,544	8,861	3,139
Selling and distribution costs		(20,640)	(24,197)	(36,472)
Administrative expenses		(46,194)	(51,381)	(63,733)
Other operating expenses		(114)	(1,974)	(3,683)
Finance costs	*(d)*	(2,182)	(6,416)	(10,100)
PROFIT BEFORE TAX	*(c)*	21,799	9,622	31,445
Tax	*(g)*	(4,070)	(1,032)	(5,735)
PROFIT FOR THE YEAR		17,729	8,590	25,710
DIVIDEND	*(i)*	—	—	113,529

Notes:

(a) Revenue, other income and gains

Revenue, which is also Amtec Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, commission income earned from acting as a sales agent, rental income and finance lease and service income.

An analysis of revenue, other income and gains is as follows:

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sale of goods	534,875	558,185	1,111,013
Service income	2,842	1,283	2,939
Commission income	6,892	8,292	3,292
Finance lease income	32	1,784	1,727
Gross rental income	—	—	4,993
	544,641	569,544	1,123,964
Other income			
Bank interest income	760	216	126
Sub-lease rental income	187	94	247
Management fee income	—	2,953	2,600
Others	597	197	166
	1,544	3,460	3,139
Gains			
Foreign exchange differences, net	—	2,916	—
Fair value gains on derivative instruments — transactions not qualifying as hedges, net	—	2,485	—
	—	5,401	—
	1,544	8,861	3,139

(b) Segment information

No business and geographical segment information is presented as all revenue and assets of Amtec Group are related to its trading and servicing operation of machinery in the PRC for the Relevant Periods.

(c) Profit before tax

Amtec Group's profit before tax is arrived at after charging/(crediting):

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold**	455,256	482,513	979,460
Depreciation	1,772	2,266	4,023
Minimum lease payments under operating leases in respect of land and buildings	2,755	2,993	3,696
Auditors' remuneration	580	595	794
Employee benefits expense (including directors' remuneration *(note 3(e)*):			
Wages and salaries	25,153	32,647	37,924
Pension scheme contributions	371	450	455
	25,524	33,097	38,379
Impairment of trade receivables*	114	1,972	3,667
Write-down of inventories to net realisable value**	—	2,302	2,210
Loss on disposal of items of property, plant and equipment*	—	2	16
Fair value losses/(gains) on derivative instruments — transactions not qualifying as hedges, net	2,727	(2,485)	702
Foreign exchange differences, net	2,163	(2,916)	1,590

* Included in "Other operating expenses" on the face of the consolidated income statements.

** Included in "Cost of sales" on the face of the consolidated income statements.

(d) Finance costs

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans and overdrafts	2,169	5,856	9,359
Interest on finance leases	13	560	741
	2,182	6,416	10,100

(e) Directors' remuneration

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and Section 161 of the Companies Ordinance, is as follows:

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Fee	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	719	2,064	1,853
Pension scheme contributions	7	12	12
	726	2,076	1,865
	726	2,076	1,865

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2004				
Directors:				
Wu Man Fan	—	719	7	726
Tan Cheng Leong	—	—	—	—
Lim Boh Soon	—	—	—	—
	—	719	7	726
2005				
Directors:				
Wu Man Fan	—	2,064	12	2,076
Tan Cheng Leong	—	—	—	—
Lim Boh Soon	—	—	—	—
Lim Kheng Joo, Eric	—	—	—	—
	—	2,064	12	2,076
2006				
Directors:				
Wu Man Fan	—	1,853	12	1,865
Tan Cheng Leong	—	—	—	—
Lim Boh Soon	—	—	—	—
Lim Kheng Joo, Eric	—	—	—	—
	—	1,853	12	1,865

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(f) Five highest paid employees

The five highest paid employees during the Relevant Periods included one director, details of whose remuneration are set out in note 3(e) above. Details of the remuneration of the remaining four non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	2,392	2,611	2,637
Pension scheme contributions	48	48	92
	2,440	2,659	2,729

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	2004	**2005**	**2006**
Nil to HK$1,000,000	4	4	4

(g) Tax

Hong Kong profits tax has been provided at the rate of 17.5% for each of the Relevant Periods on the estimated assessable profits arising in Hong Kong.

Taxes on deemed profits in respect of representative offices operating in Mainland China have been calculated at the rates of tax prevailing in the regions in which the representative offices operate, based on existing legislation, practices and interpretations in respect thereof.

No provision for income tax has been made for Amtec Group's subsidiaries registered in the PRC and Malaysia as the subsidiaries had no assessable profits in the PRC and Malaysia during the Relevant Periods.

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Amtec Group:			
Current — Hong Kong			
Charge for the year	4,280	1,209	6,643
Overprovision in prior years	—	(1,500)	(694)
Current — Elsewhere			
Charge for the year	170	283	300
Under/(over)provision in prior years	(380)	42	—
Deferred *(note 4(o))*	—	998	(514)
Tax charge for the year	4,070	1,032	5,735

A reconciliation of tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	21,799	9,622	31,445
Tax at the statutory tax rate of 17.5%	3,815	1,684	5,503
Taxes based on deemed profits of representative offices	170	283	300
Lower tax rate of regions outside Hong Kong	28	30	—
Adjustments in respect of current tax of previous periods	(380)	(1,458)	(694)
Income not subject to tax	(10)	(865)	(20)
Expenses not deductible for tax	702	747	631
Others	(255)	611	15
Tax charge at Amtec Group's effective rate	4,070	1,032	5,735

(h) Net profit from ordinary activities attributable to equity holders of the parent

The net profit from ordinary activities attributable to equity holders of the parent for the years ended 30th June 2004, 2005 and 2006 dealt with in the financial statements of Amtec was HK$9,172,000, HK$10,972,000 and HK$26,734,000, respectively.

(i) Dividend

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Special dividend — HK$1.89215 (2004 and 2005: Nil) per ordinary share	—	—	113,529

(j) Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

4. BALANCE SHEETS

The following is a summary of the consolidated balance sheets of Amtec Group and the balance sheets of Amtec as at 30th June 2004, 2005 and 2006, which is presented on the basis set out in Section 1 above:

Consolidated balance sheets of Amtec Group

			30th June	
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*(a)*	6,924	16,498	20,235
Long term portion of trade receivables	*(c)*	2,761	—	—
Long term portion of finance lease receivables	*(d)*	14,837	46,842	12,577
Total non-current assets		24,522	63,340	32,812
CURRENT ASSETS				
Inventories	*(e)*	81,440	139,447	131,090
Trade and bills receivables	*(c)*	221,134	106,953	163,842
Finance lease receivables	*(d)*	12,265	50,451	39,577
Prepayments, deposits and other receivables	*(f)*	16,680	12,020	19,748
Due from the ultimate holding company	*(g)*	32,002	58,099	—
Due from fellow subsidiaries	*(g)*	7,511	86,748	120,480
Due from a director	*(h)*	—	404	—
Pledged deposits	*(i)*	6,673	—	—
Cash and bank balances	*(i)*	35,982	19,854	17,891
Total current assets		413,687	473,976	492,628
CURRENT LIABILITIES				
Trade and bills payables	*(j)*	152,986	100,174	158,681
Other payables and accruals	*(k)*	13,991	16,193	38,360
Derivative financial instruments	*(l)*	2,727	242	944
Interest-bearing bank and other borrowings	*(m)*	83,397	207,663	257,554
Due to fellow subsidiaries	*(g)*	34,678	52,153	—
Tax payable		9,657	1,920	7,311
Total current liabilities		297,436	378,345	462,850
NET CURRENT ASSETS		116,251	95,631	29,778
TOTAL ASSETS LESS CURRENT LIABILITIES		140,773	158,971	62,590
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*(m)*	1,698	10,327	2,011
Deferred tax liabilities	*(o)*	—	998	484
Total non-current liabilities		1,698	11,325	2,495
Net assets		139,075	147,646	60,095
EQUITY				
Issued capital	*(p)*	60,000	60,000	60,000
Reserves		79,075	87,646	95
Total equity		139,075	147,646	60,095

Balance sheets of Amtec

			30th June	
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*(a)*	6,512	14,758	18,687
Interests in subsidiaries	*(b)*	7,373	12,305	13,861
Long term portion of trade receivables	*(c)*	2,761	—	—
Long term portion of finance lease receivables	*(d)*	14,837	46,842	12,577
Total non-current assets		31,483	73,905	45,125
CURRENT ASSETS				
Inventories	*(e)*	81,316	138,344	129,687
Trade and bills receivables	*(c)*	218,911	104,188	161,611
Finance lease receivables	*(d)*	12,265	50,451	39,577
Prepayments, deposits and other receivables	*(f)*	16,138	11,232	18,338
Due from the ultimate holding company	*(g)*	32,002	58,099	—
Due from fellow subsidiaries	*(g)*	7,382	86,748	120,480
Due from a director	*(h)*	—	404	—
Pledged deposits	*(i)*	6,673	—	—
Cash and bank balances	*(i)*	31,776	14,660	12,709
Total current assets		406,463	464,126	482,402
CURRENT LIABILITIES				
Trade and bills payables	*(j)*	152,625	99,494	158,538
Other payables and accruals	*(k)*	13,988	15,057	37,336
Derivative financial instruments	*(l)*	2,727	242	944
Interest-bearing bank and other borrowings	*(m)*	83,397	207,663	257,554
Due to fellow subsidiaries	*(g)*	34,649	52,153	—
Tax payable		9,657	1,920	7,278
Total current liabilities		297,043	376,529	461,650
NET CURRENT ASSETS		109,420	87,597	20,752
TOTAL ASSETS LESS CURRENT LIABILITIES		140,903	161,502	65,877
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*(m)*	1,698	10,327	2,011
Deferred tax liabilities	*(o)*	—	998	484
Total non-current liabilities		1,698	11,325	2,495
Net assets		139,205	150,177	63,382
EQUITY				
Issued capital	*(p)*	60,000	60,000	60,000
Retained profits		79,205	90,177	3,382
Total equity		139,205	150,177	63,382

Notes:

(a) Property, plant and equipment

Amtec Group

	Leasehold improvements	Machinery	Demonstration equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st July 2003:							
Cost	1,852	—	—	990	4,235	1,307	8,384
Accumulated depreciation	(558)	—	—	(700)	(2,795)	(573)	(4,626)
Net carrying amount	1,294	—	—	290	1,440	734	3,758
At 1st July 2003, net of accumulated depreciation	1,294	—	—	290	1,440	734	3,758
Additions	245	—	2,496	150	994	1,053	4,938
Depreciation provided during the year	(267)	—	—	(154)	(834)	(517)	(1,772)
At 30th June 2004, net of accumulated depreciation	1,272	—	2,496	286	1,600	1,270	6,924
At 30th June 2004 and 1st July 2004:							
Cost	2,097	—	2,496	1,140	5,225	2,360	13,318
Accumulated depreciation	(825)	—	—	(854)	(3,625)	(1,090)	(6,394)
Net carrying amount	1,272	—	2,496	286	1,600	1,270	6,924
At 1st July 2004, net of accumulated depreciation	1,272	—	2,496	286	1,600	1,270	6,924
Additions	1,029	9,215	—	58	1,308	230	11,840
Disposals	—	—	—	—	(7)	—	(7)
Depreciation provided during the year	(275)	(232)	(176)	(125)	(807)	(651)	(2,266)
Exchange realignment	1	—	—	—	6	—	7
At 30th June 2005, net of accumulated depreciation	2,027	8,983	2,320	219	2,100	849	16,498
At 30th June 2005 and 1st July 2005:							
Cost	3,127	9,215	2,496	1,198	6,504	2,590	25,130
Accumulated depreciation	(1,100)	(232)	(176)	(979)	(4,404)	(1,741)	(8,632)
Net carrying amount	2,027	8,983	2,320	219	2,100	849	16,498
At 1st July 2005, net of accumulated depreciation	2,027	8,983	2,320	219	2,100	849	16,498
Additions	233	—	—	16	791	339	1,379
Disposals	—	—	—	—	(131)	(191)	(322)
Transfer from/(to) inventories	—	(6,133)	12,776	—	—	—	6,643
Depreciation provided during the year	(315)	(563)	(1,527)	(124)	(1,034)	(460)	(4,023)
Exchange realignment	27	—	—	—	33	—	60
At 30th June 2006, net of accumulated depreciation	1,972	2,287	13,569	111	1,759	537	20,235
At 30th June 2006:							
Cost	3,410	3,082	15,272	1,214	7,062	2,404	32,444
Accumulated depreciation	(1,438)	(795)	(1,703)	(1,103)	(5,303)	(1,867)	(12,209)
Net carrying amount	1,972	2,287	13,569	111	1,759	537	20,235

Amtec

	Leasehold improvements	Machinery	Demonstration equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st July 2003:							
Cost	1,240	—	—	951	3,736	1,307	7,234
Accumulated depreciation	(177)	—	—	(679)	(2,545)	(573)	(3,974)
Net carrying amount	1,063	—	—	272	1,191	734	3,260
At 1st July 2003, net of accumulated depreciation	1,063	—	—	272	1,191	734	3,260
Additions	245	—	2,496	147	845	1,053	4,786
Depreciation provided during the year	(145)	—	—	(146)	(726)	(517)	(1,534)
At 30th June 2004, net of accumulated depreciation	1,163	—	2,496	273	1,310	1,270	6,512
At 30th June 2004 and 1st July 2004:							
Cost	1,485	—	2,496	1,098	4,577	2,360	12,016
Accumulated depreciation	(322)	—	—	(825)	(3,267)	(1,090)	(5,504)
Net carrying amount	1,163	—	2,496	273	1,310	1,270	6,512
At 1st July 2004, net of accumulated depreciation	1,163	—	2,496	273	1,310	1,270	6,512
Additions	254	9,215	—	58	496	231	10,254
Disposals	—	—	—	—	(7)	—	(7)
Depreciation provided during the year	(174)	(232)	(176)	(121)	(646)	(652)	(2,001)
At 30th June 2005, net of accumulated depreciation	1,243	8,983	2,320	210	1,153	849	14,758
At 30th June 2005 and 1st July 2005:							
Cost	1,739	9,215	2,496	1,156	5,038	2,591	22,235
Accumulated depreciation	(496)	(232)	(176)	(946)	(3,885)	(1,742)	(7,477)
Net carrying amount	1,243	8,983	2,320	210	1,153	849	14,758
At 1st July 2005, net of accumulated depreciation	1,243	8,983	2,320	210	1,153	849	14,758
Additions	157	—	—	16	655	339	1,167
Disposals	—	—	—	—	(131)	(191)	(322)
Transfer from/(to) inventories	—	(6,133)	12,776	—	—	—	6,643
Depreciation provided during the year	(178)	(563)	(1,527)	(115)	(716)	(460)	(3,559)
At 30th June 2006, net of accumulated depreciation	1,222	2,287	13,569	111	961	537	18,687
At 30th June 2006:							
Cost	1,896	3,082	15,272	1,172	5,406	2,404	29,232
Accumulated depreciation	(674)	(795)	(1,703)	(1,061)	(4,445)	(1,867)	(10,545)
Net carrying amount	1,222	2,287	13,569	111	961	537	18,687

The net book value of Amtec Group's and Amtec's motor vehicles held under finance leases as at 30th June 2004, 2005 and 2006 amounted to HK$895,000, HK$776,000 and HK$263,000, respectively.

The net book value of Amtec Group's and Amtec's demonstration equipment held under finance leases as at 30th June 2006 amounted to HK$1,438,000 (2004 and 2005: Nil).

As at 30th June 2005 and 2006, machinery with net book value of HK$8,135,000 and HK$2,287,000, respectively (2004: Nil) were held by Amtec Group and Amtec under operating leases for rental income purpose.

(b) Interests in subsidiaries

		30th June	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments/shares, at cost	8,137	9,520	5,942
Provision for impairment	(5,000)	(5,000)	—
	3,137	4,520	5,942
Due from subsidiaries	6,322	10,717	10,227
Due to subsidiaries	(2,086)	(2,932)	(2,308)
	7,373	12,305	13,861

All balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayments. The carrying amounts of these balances approximate to their fair values.

(c) Trade and bills receivables

		Amtec Group			Amtec	
		30th June			30th June	
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	186,677	95,904	140,930	184,454	93,139	138,699
Bills receivable	37,218	11,049	22,912	37,218	11,049	22,912
	223,895	106,953	163,842	221,672	104,188	161,611
Portion classified under current assets	(221,134)	(106,953)	(163,842)	(218,911)	(104,188)	(161,611)
Non-current portion	2,761	—	—	2,761	—	—

Amtec Group's and Amtec's trading terms with their customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. Amtec Group and Amtec seek to maintain strict control over their outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that Amtec Group's and Amtec's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 30th June 2004, 2005 and 2006, Amtec has transferred certain bills of exchange amounting to HK$22,506,000, HK$8,240,000 and HK$6,847,000, respectively, to a bank with recourse in exchange for cash. The proceeds from transferring the bills receivable of HK$22,506,000, HK$8,240,000 and HK$6,847,000, respectively, are accounted for as collateralised bank advances until the bills receivable are collected or Amtec Group makes good of any losses incurred by the bank because the derecognition criteria for financial assets were not met.

As at 30th June 2005 and 2006, Amtec's trade receivables of approximately HK$9,246,000 and HK$8,239,000, respectively (2004: Nil) (the "Factored Receivables") were factored to a financing company under certain receivables purchase agreements. Amtec continued to recognise the Factored Receivables in the balance sheet because, in the opinion of the directors, Amtec Group has retained substantially all the risks and rewards of ownership of the Factored Receivables, either the risks in respect of default payments or the time value of money as at the balance sheet dates. The proceeds from the Factored Receivables of HK$5,440,000 and HK$7,767,000, respectively, are accounted for as collateralised advances from a financing company until the Factored Receivables are collected or Amtec makes good of any losses incurred by the financing company.

An aged analysis of the trade and bills receivables as at the balance sheet dates, based on the invoice date and net of provisions, is as follows:

	Amtec Group			**Amtec**		
	30th June			**30th June**		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current to 90 days	146,651	82,494	124,294	145,428	79,729	122,690
91 to 180 days	21,700	13,517	22,307	20,700	13,517	22,307
181 to 270 days	37,708	2,069	2,256	37,708	2,069	2,083
271 to 365 days	3,688	3,877	1,871	3,688	3,877	1,706
Over 365 days	14,148	4,996	13,114	14,148	4,996	12,825
	223,895	106,953	163,842	221,672	104,188	161,611

(d) Finance lease receivables

Amtec Group and Amtec

Amtec Group leased certain machinery to its customers under finance lease arrangements which have remaining lease periods from 1 to 36 months and the interest rate inherent in the leases ranged from 4% to 10% per annum.

As at the balance sheet dates, the net finance lease receivables under the leases and the present values of the minimum lease payments were as follows:

	Net finance lease receivables 30th June			**Present value of minimum lease payments 30th June**		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount receivable under finance lease:						
Within one year	12,932	56,837	42,024	12,265	50,451	39,577
In the second year	10,230	37,827	11,955	9,715	36,537	11,445
In the third to fifth years, inclusive	5,173	10,814	1,177	5,122	10,305	1,132
Total minimum finance lease receivables	28,335	105,478	55,156	27,102	97,293	52,154
Unearned finance income	(1,233)	(8,185)	(3,002)			
Total net finance lease receivables	27,102	97,293	52,154			
Portion classified as current assets	(12,265)	(50,451)	(39,577)			
Non-current portion	14,837	46,842	12,577			

As at 30th June 2005 and 2006, Amtec Group's and Amtec's finance lease receivables amounting to HK$9,859,000 and HK$4,869,000 were pledged to secure other borrowings of HK$9,247,000 and HK$4,241,000, respectively (2004: Nil) *(note 4(m))*.

As at 30th June 2005 and 2006, Amtec has transferred certain finance leases amounting to HK$12,781,000 and HK$8,072,000, respectively, to a financing company with recourse in exchange for cash. The proceeds from transferring the finance lease receivables of HK$12,781,000 and HK$6,070,000, respectively, are accounted for as collateralised advances from a financing company until the finance leases are collected or Amtec makes good of any losses incurred by the financing company (2004: Nil).

(e) Inventories

	Amtec Group			Amtec		
	30th June			30th June		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Machinery	36,680	64,455	58,310	36,680	64,445	58,310
Spare parts	39,716	68,735	65,990	39,592	67,642	64,587
Consumables	5,044	6,257	6,790	5,044	6,257	6,790
	81,440	139,447	131,090	81,316	138,344	129,687

As at 30th June 2005 and 2006, the carrying value of Amtec Group's and Amtec's inventories held under finance leases amounted to approximately HK$11,499,000 and approximately HK$9,894,000, respectively (2004: Nil).

(f) Prepayments, deposits and other receivables

	Amtec Group			Amtec		
	30th June			30th June		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	40	40	48	40	40	48
Deposits	869	1,792	12,278	869	1,003	11,135
Other receivables	15,771	10,188	7,422	15,229	10,189	7,155
	16,680	12,020	19,748	16,138	11,232	18,338

As at 30th June 2006, deposits amounted to HK$9,887,000 (2004 and 2005: Nil) were pledged to secure other loans of HK$80,973,000 *(note 4(m))*.

(g) Due from/to the ultimate holding company and fellow subsidiaries

The balances with the ultimate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

(h) Due from a director

Amtec Group and Amtec

Particulars of the amount due from a director, disclosed pursuant to Section 161B of the Companies Ordinance, are as follows:

	30th June 2004 and 1st July 2004	Maximum amount outstanding during 2004/2005	30th June 2005 and 1st July 2005	Maximum amount outstanding during 2005/2006	30th June 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wu Man Fan	—	676	404	404	—

The amount due from the director was unsecured, interest-free and had been repaid on 20th September 2005.

(i) Cash and bank balances and pledged deposits

	Amtec Group 30th June			Amtec 30th June		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total cash and bank balances	42,655	19,854	17,891	38,449	14,660	12,709
Less: Time deposits pledged for banking facilities	(6,673)	—	—	(6,673)	—	—
Cash and bank balances	35,982	19,854	17,891	31,776	14,660	12,709

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of Amtec Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and bank balances approximate to their fair values.

(j) Trade and bills payables

The trade and bills payable are non-interest-bearing and are normally settled on 30-day terms.

An aged analysis of the trade and bills payables as at the balance sheet dates, based on the invoice date, is as follows:

	Amtec Group 30th June			Amtec 30th June		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current to 90 days	116,156	92,437	129,502	115,795	91,757	129,359
91 to 180 days	19,665	1,314	14,312	19,665	1,314	14,312
181 to 270 days	17,066	534	12,812	17,066	534	12,812
271 to 365 days	—	143	26	—	143	26
Over 365 days	99	5,746	2,029	99	5,746	2,029
	152,986	100,174	158,681	152,625	99,494	158,538

(k) Other payables and accruals

	Amtec Group			Amtec		
	30th June			30th June		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	5,368	11,641	20,023	5,368	10,506	19,630
Accruals	8,623	4,552	18,337	8,620	4,551	17,706
	13,991	16,193	38,360	13,988	15,057	37,336

Other payables are non-interest-bearing and have an average term of 30 days.

(l) Derivative financial instruments

Amtec Group and Amtec

	30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Forward currency contracts	2,727	242	944

The carrying amounts of forward currency contracts approximate to their fair values.

As at the balance sheet dates, Amtec Group and Amtec held the following forward currency contracts to manage their exchange rate exposures which did not meet the criteria for hedge accounting. The terms of these contracts are as follows:

	Maturity	**Exchange rate**
Sell		
2004		
US$2,404,000	2nd July 2004	US$/€1.2540
US$2,459,000	4th August 2004	US$/€1.2295
US$1,887,000	6th August 2004	US$/€1.2190
US$549,000	16th August 2004	US$/€1.2778
2005		
US$1,185,000	30th June 2005 — 30th August 2005	US$/¥109.70
US$935,000	10th June 2005 — 20th July 2005	US$/¥107.00
2006		
US$1,592,000	2nd August 2006	US$/¥111.34
US$2,638,000	2nd August 2006	US$/¥111.50

Changes in the fair value of non-hedging currency derivatives amounting to HK$2,727,000 and HK$702,000 were charged to the income statements during the years ended 30th June 2004 and 2006, respectively and HK$2,485,000 was credited to the income statement during the year ended 30th June 2005.

(m) Interest-bearing bank and other borrowings

Amtec Group and Amtec

	Effective interest rate	Maturity		30th June	
			2004	**2005**	**2006**
	(%)		*HK$'000*	*HK$'000*	*HK$'000*
Current					
Finance lease payables *(note 4(n))*	4.73 — Prime	2007	168	5,190	2,098
Bank overdrafts — secured	Prime	On demand	108	6,891	1,904
Collateralised bank advances — secured	Prime	2007	22,506	8,240	6,847
Collateralised advances from a financing company — secured	Prime	2007	—	18,221	13,837
Trust receipt loans	HIBOR+2 — Prime+5.5	2006	40,942	68,303	59,267
Bank loans — unsecured	HIBOR+2 — Prime+5.5	2006	19,673	98,600	89,430
Other loans — secured	5.1 — LIBOR+3.5	2006	—	2,218	84,171
			83,397	207,663	257,554
Non-current					
Finance lease payables *(note 4(n))*	4.73 — LIBOR+2	2007 — 2009	777	3,298	968
Bank loans — unsecured	HIBOR+2	2006	921	—	—
Other loans — secured	6.14	2008	—	7,029	1,043
			1,698	10,327	2,011
			85,095	217,990	259,565

		30th June	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Analysed into:			
Interest-bearing bank borrowings repayable:			
Within one year or on demand	83,229	182,034	157,448
In the second year	921	—	—
	84,150	182,034	157,448
Other borrowings repayable:			
Within one year	168	25,629	100,106
In the second year	263	2,308	1,866
In the third to fifth years, inclusive	514	8,019	145
	945	35,956	102,117
	85,095	217,990	259,565

Notes:

The bank overdrafts, trust receipt loans and bank loans were secured by corporate guarantees given by Autron Corporation Limited, Amtec's ultimate holding company and Amtec's fellow subsidiaries.

Apart from the above, as at 30th June 2005 and 2006, Amtec Group's and Amtec's other loans (2004: Nil) were secured by certain of Amtec Group's and Amtec's finance lease receivables *(note 4(d))* and deposits *(note 4(f))*.

Certain financial and other covenants specified in loan agreements including gearing ratio of 0.8 or lower were breached as at 30th June 2005 and 2006. Amtec Group had repaid certain respective outstanding bank borrowings subsequent to the balance sheet dates and for those bank borrowings that remained outstanding, a temporary waiver on the breach of the bank convenants were granted by the bank on not demanding full repayment as stipulated in the loan agreements. The bank borrowings that financial and other convenants were breached amounted to HK$24,899,000 and HK$28,963,000 as at 30th June 2005 and 2006, respectively.

Other interest rate information:

	30th June					
	2004		2005		2006	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Finance lease payables	945	—	880	7,608	525	2,541
Bank overdrafts — secured	—	108	—	6,891	—	1,904
Collateralised bank advances — secured	—	22,506	—	8,240	—	6,847
Collateralised advances from a financing company — secured	—	—	—	18,221	—	13,837
Trust receipt loans	—	40,942	—	68,303	—	59,267
Bank loans — unsecured	—	20,594	—	98,600	—	89,430
Other loans — secured	—	—	9,247	—	4,241	80,973

Interest-bearing bank and other borrowings denominated in foreign currencies are as follows:

	30th June								
	2004			2005			2006		
	US$'000	*JPY'000*	*EURO'000*	*US$'000*	*JPY'000*	*EURO'000*	*US$'000*	*JPY'000*	*EURO'000*
Finance lease payables	—	—	—	979	—	—	327	—	—
Collateralised bank advances — secured	555	—	1,920	—	—	—	770	—	—
Collateralised advances from a financing company — secured	—	—	—	—	—	—	1,781	—	—
Trust receipt loans	3,508	104,175	987	4,533	381,249	833	5,457	563,404	101
Bank loans — unsecured	2,641	—	—	10,981	—	—	10,599	—	720
Other loans — secured	—	—	—	—	—	—	3,243	823,641	—

The carrying amounts of Amtec Group's and Amtec's borrowings approximate to their fair values.

(n) Finance lease payables

Amtec Group leases certain of its machinery *(notes 4(a) and 4(e))* and motor vehicles *(note 4(a))*. These leases are classified as finance leases and have remaining lease periods from 2 to 42 months.

As at the balance sheet dates, the total future minimum lease payments under the finance leases and their present values, were as follows:

Amtec Group and Amtec

	Minimum lease payments 30th June			**Present value of minimum lease payments 30th June**		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:						
Within one year	217	5,610	2,272	168	5,190	2,098
In the second year	295	2,314	833	263	2,308	823
In the third to fifth years, inclusive	551	997	146	514	990	145
Total minimum finance lease payments	1,063	8,921	3,251	945	8,488	3,066
Future finance charges	(118)	(433)	(185)			
Total net finance lease payables	945	8,488	3,066			
Portion classified as current liabilities *(Note 4(m))*	(168)	(5,190)	(2,098)			
Non-current portion *(Note 4(m))*	777	3,298	968			

(o) Deferred tax liabilities

Amtec Group and Amtec

	Accelerated tax depreciation	**Provision for trade and finance lease receivables and inventories**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 30th June 2003, 30th June 2004 and 1st July 2004	—	—	—
Deferred tax charged/(credited) to the income statement during the year *(note 3(g))*	1,577	(579)	998
Gross deferred tax liabilities at 30th June 2005 and 1st July 2005	1,577	(579)	998
Deferred tax charged/(credited) to the income statement during the year *(note 3(g))*	607	(1,121)	(514)
Gross deferred tax liabilities at 30th June 2006	2,184	(1,700)	484

(p) Share capital

		30th June	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Authorised, issued and fully paid: 60,000,000 shares of HK$1 each	60,000	60,000	60,000

5. STATEMENTS OF CHANGES IN EQUITY

The following is a summary of the consolidated statements of changes in equity of Amtec Group and the statements of changes in equity of Amtec for the Relevant Periods, which is presented on the basis set out in Section 1 above:

Consolidated statements of changes in equity of Amtec Group

	Issued share capital	**Exchange fluctuation reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June 2003 and 1st July 2003	10,000	(145)	61,500	71,355
Issue of shares	50,000	—	—	50,000
Exchange realignments	—	(9)	—	(9)
Profit for the year	—	—	17,729	17,729
At 30th June 2004 and 1st July 2004	60,000	(154)*	79,229*	139,075
Exchange realignments	—	(19)	—	(19)
Profit for the year	—	—	8,590	8,590
At 30th June 2005 and 1st July 2005	60,000	(173)*	87,819*	147,646
Exchange realignments	—	268	—	268
Profit for the year	—	—	25,710	25,710
Special dividend	—	—	(113,529)	(113,529)
At 30th June 2006	60,000	95*	—*	60,095

* These reserve accounts comprise the consolidated reserve of HK$79,075,000, HK$87,646,000 and HK$95,000 as at 30th June 2004, 2005 and 2006, respectively, in the consolidated balance sheets.

Statements of changes in equity of Amtec

	Issued share capital *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 30th June 2003 and 1st July 2003	10,000	70,033	80,033
Issue of shares	50,000	—	50,000
Profit for the year	—	9,172	9,172
At 30th June 2004 and 1st July 2004	60,000	79,205	139,205
Profit for the year	—	10,972	10,972
At 30th June 2005 and 1st July 2005	60,000	90,177	150,177
Profit for the year	—	26,734	26,734
Special dividend	—	(113,529)	(113,529)
At 30th June 2006	60,000	3,382	63,382

6. CONSOLIDATED CASH FLOW STATEMENTS

The following is a summary of the consolidated cash flow statements of Amtec Group for the Relevant Periods, which is presented on the basis set out in Section 1 above:

		Year ended 30th June		
		2004	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		21,799	9,622	31,445
Adjustments for:				
Finance costs	*3(d)*	2,182	6,416	10,100
Bank interest income	*3(a)*	(760)	(216)	(126)
Depreciation	*3(c)*	1,772	2,266	4,023
Loss on disposal of items of property, plant and equipment	*3(c)*	—	2	16
Fair value losses/(gains) on derivative instruments — transactions not qualifying as hedges, net	*3(c)*	2,727	(2,485)	702
Operating profit before working capital changes		27,720	15,605	46,160
Decrease/(increase) in inventories		(9,700)	(46,508)	1,714
Decrease/(increase) in trade and bills receivables		(41,837)	116,942	(56,889)
Decrease/(increase) in finance lease receivables		(27,101)	(70,191)	45,139
Decrease/(increase) in prepayments, deposits and other receivables		(6,078)	4,660	(7,728)
Movement in amounts with fellow subsidiaries		13,493	(61,762)	(141,000)
Decrease/(increase) in amount due from a director		(65)	(404)	404
Increase/(decrease) in trade and bills payables		44,869	(52,812)	58,507
Increase in other payables and accruals		6,106	2,202	22,167
Effect of foreign exchange rate changes, net		(9)	(26)	208

	Year ended 30th June		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash generated from/(used in) operations	7,398	(92,294)	(31,318)
Interest paid	(2,169)	(5,856)	(9,359)
Interest element on finance lease rental payments	(13)	(560)	(741)
Hong Kong profits tax paid	—	(7,446)	(558)
Overseas taxes paid	(170)	(325)	(300)
Net cash inflow/(outflow) from operating activities	5,046	(106,481)	(42,276)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	760	216	126
Purchases of items of property, plant and equipment	(3,885)	(11,840)	(1,379)
Proceeds from disposal of items of property, plant and equipment	—	5	306
Repayment to the ultimate holding company	(62,804)	(26,097)	(315)
Increase/(decrease) in pledged bank balances	(1,673)	6,673	—
Net cash outflow from investing activities	(67,602)	(31,043)	(1,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	50,000	—	—
Increase/(decrease) in trust receipts loans	22,253	27,361	(9,036)
Increase/(decrease) in collateralised advances	(11,574)	3,955	(5,777)
New bank loans	20,594	180,532	302,959
Repayment of bank loans	—	(93,279)	(236,162)
Capital element of finance lease rental payments	(108)	(3,956)	(5,422)
Net cash inflow from financing activities	81,165	114,613	46,562

		Year ended 30th June		
		2004	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18,609	(22,911)	3,024
Cash and cash equivalents at beginning of year		17,265	35,874	12,963
CASH AND CASH EQUIVALENTS AT END OF YEAR		35,874	12,963	15,987
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*4(i)*	35,982	19,854	17,891
Bank overdrafts, secured	*4(m)*	(108)	(6,891)	(1,904)
		35,874	12,963	15,987

Major non-cash transactions:

(i) During the year ended 30th June 2004, Amtec Group and Amtec entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of HK$1,053,000 (2005 and 2006: Nil) *(note 4(a))*.

(ii) During the year ended 30th June 2005, Amtec Group and Amtec entered into a finance lease arrangement in respect of machinery with a total capital value at the inception of the lease of HK$11,499,000 (2004 and 2006: Nil) *(note 4(e))*.

(iii) During the year ended 30th June 2006, Amtec agreed with its ultimate holding company and fellow subsidiaries that the amount due from the ultimate holding company of HK$47,559,000 was offset against amounts due to fellow subsidiaries and this resulted in no cash flow from this transaction (2004 and 2005: Nil).

(iv) During the year ended 30th June 2006, a special dividend of HK$113,529,000 was paid by Amtec to its holding company which was offset against the amounts due from the holding company and a fellow subsidiary of HK$10,855,000 and HK$102,674,000, respectively (2004 and 2005: Nil).

7. CONTINGENT LIABILITIES

At the balance sheet dates of the Relevant Periods, contingent liabilities not provided for in the Financial Information were as follows:

Amtec Group and Amtec

		30th June	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Guarantees given to banks in connection with facilities granted to the ultimate holding company and fellow subsidiaries	147,020	186,020	220,440
Performance bonds given to customers for due performance of the sales contracts	2,430	187	787
Bid bonds given to customers for due performance of the sales contracts	2,833	1,514	532
Payment guarantee given to a supplier for due performance of a purchase contract	5,100	—	2,032
	157,383	187,721	223,791

As at 30th June 2004, 2005 and 2006, the banking facilities granted to the ultimate holding company and fellow subsidiaries subject to guarantees given to the banks by Amtec were utilised to the extent of approximately HK$112,371,000, HK$120,573,000 and HK$117,923,000, respectively.

8. OPERATING LEASE ARRANGEMENTS

As lessor

Amtec Group and Amtec leases their machinery *(note 4(a))* under an operating lease arrangement, with a lease negotiated for a period of 12 months.

As at 30th June 2005, Amtec Group and Amtec had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due within one year of HK$7,557,000 (2004 and 2006: Nil).

As lessee

Amtec Group and Amtec leases certain of their office properties and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from six months to three years.

At the balance sheet dates of the Relevant Periods, Amtec Group and Amtec had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Amtec Group			**Amtec**		
		30th June			**30th June**	
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,642	3,558	4,340	2,578	2,628	3,683
In the second to fifth years, inclusive	2,022	169	5,644	2,021	169	5,048
	4,664	3,727	9,984	4,599	2,797	8,731

9. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Information, Amtec Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 30th June		
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Sales of products to fellow subsidiaries	*(i)*	1,628	69,889	174,875
Purchases of products from fellow subsidiaries	*(ii)*	22,438	5,377	12,239
Management fee income from the ultimate holding company	*(iii)*	—	2,953	2,600
Management fee paid to the ultimate holding company	*(iv)*	1,606	1,864	2,146
Management fee paid to a fellow subsidiary	*(iv)*	2,261	1,325	1,259
Service income from a fellow subsidiary	*(v)*	615	—	421
Commission paid to a fellow subsidiary	*(vi)*	—	—	385
Consultancy fee paid to a related company	*(vii)*	386	—	—

Notes:

(i) Sales to fellow subsidiaries were made on a cost-plus basis.

(ii) Purchases from fellow subsidiaries were carried out according to terms similar to those offered by other suppliers.

(iii) Management fee income from the ultimate holding company was based on expenses incurred by a director during the Relevant Periods.

(iv) Management fee paid to the ultimate holding company and a fellow subsidiary was based on 5% of operational expenses incurred by the holding company and the fellow subsidiary on behalf of Amtec Group.

(v) Service income was based on daily rate of engineers incurred during the Relevant Periods.

(vi) Commission was based on 10 to 14% on sales of certain products during the Relevant Periods.

(vii) These transactions were conducted under mutually agreed terms.

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Amtec Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, finance leases and cash and short term deposits. The main purpose of these financial instruments is to raise finance for Amtec Group's operations. Amtec Group has various other financial assets and liabilities such as trade receivables, trade payables and derivative financial instruments, which arise directly from its operations.

It is, and has been, throughout the Relevant Periods under review, Amtec Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Amtec Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

Amtec Group's exposure to the risk of changes in market interest rates relates primarily to Amtec Group's debt obligations with floating interest rates.

Amtec Group does not hedge interest rate fluctuations. In the opinion of the directors, Amtec Group has no significant interest rate risk due to the short maturity of Amtec Group's interest-bearing bank and other borrowings.

Foreign currency risk

Amtec Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than Amtec Group's functional currency. Amtec Group currently does not have a formal foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

Amtec Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Amtec Group mainly trades with recognised and creditworthy third parties. It is Amtec Group's policy that all customers who wish to trade on credit terms are subject to in-depth credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. In this regard, management of Amtec considers that Amtec Group's credit risk is minimal.

The credit risk of the other financial assets of Amtec Group, which mainly represent cash and bank balances and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since Amtec Group mainly trades with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

Amtec Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

11. SUBSEQUENT EVENTS

Subsequent to the balance sheet date on 2nd August 2006, Autron Corporation Limited, a company incorporated in Australia and listed on both the Australian Stock Exchange and the Singapore Stock Exchange, the ultimate holding company of Amtec, entered into a sales and purchase agreement with Best Creation Investments Limited, a wholly-owned subsidiary of North Asia Strategic Holdings Limited ("NAS") which is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong, to dispose of its entire equity interest in Amtec Group. The transaction is subject to NAS shareholders' approval and is expected to be completed on or about 31st October 2006.

In addition to the events detailed in note 4(m) in the Financial Information and save for the above, no significant events have been taken place subsequent to 30th June 2006.

12. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Amtec or any of its subsidiaries have been prepared in respect of any period subsequent to 30th June 2006.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

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

ERNST & YOUNG
安永會計師事務所

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

13th October 2006

The Directors
North Asia Strategic Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Autron India Private Limited ("AIP") for the period from 30th June 2005 (date of incorporation) to 30th June 2006 (the "Relevant Period") for inclusion in the circular of North Asia Strategic Holdings Limited (the "Company") dated 13th October 2006 (the "Circular") in relation to the proposed acquisition of the entire issued share capital of AIP (the "Acquisition").

AIP was incorporated with limited liability in India on 30th June 2005. During the Relevant Period, AIP was principally engaged in the provision of machinery installation, training, repair and maintenance services.

The financial information of AIP for the Relevant Period is prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. We have audited the financial statements of AIP for the Relevant Period in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA.

For the purpose of this report, we have examined the audited financial statements of AIP for the Relevant Period in accordance with HKSA, and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The income statement, the statement of changes in equity and the cash flow statement of AIP for the Relevant Period, the balance sheet of AIP as at 30th June 2006, together with the notes thereto (collectively the "Financial Information") as set out in this report have been prepared and are presented on the basis as set out in Section 1 below.

The preparation of the Financial Information is the responsibility of the directors of the Company who approve its issuance. The directors of the Company are responsible for the content of the Circular relating to AIP in which this report is included. It is our responsibility to form an independent opinion on such information and to report our opinion to you. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of AIP as at 30th June 2006 and of the results and cash flows of AIP for the Relevant Period.

1. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand *(HK$'000)* except when otherwise indicated. The Financial Information has been prepared using accounting policies which are materially consistent with the Company.

Impact of issued but not yet effective HKFRSs

AIP has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January 2006.

HKAS 1 Amendment	Capital Disclosures
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January 2007. The revised standard will affect the disclosures about qualitative information about AIP's objective, policies and processes for managing capital; quantitative data about what AIP regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, AIP expects that the adoption of the other pronouncements listed above will not have any significant impact on AIP's financial statements in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less cost to sale, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to AIP if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, AIP; (ii) has an interest in AIP that gives it significant influence over AIP; or (iii) has joint control over AIP;

(b) the party is a member of the key management personnel of AIP or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	20%
Computers	100%
Furniture and fixtures	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remained with the lessor are accounted for as operating leases. Where AIP is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. AIP determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that AIP commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

AIP assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

AIP first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- AIP retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- AIP has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where AIP has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of AIP's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that AIP could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of AIP's continuing involvement is the amount of the transferred asset that AIP may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of AIP's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of AIP's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to AIP and when the revenue can be measured reliably, on the following bases:

(a) Sales commission is recognised in respect of sales made on behalf of AIP's parent company in India on the basis of margins determined as per individual contracts. The margin varies based on the nature of cost and margin of profits;

(b) Installation and commissioning income is recognised by reference to the stage of completion. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable;

(c) Annual maintenance contract revenue is recognised on a straight-line basis over the period of the contract; and

(d) Technical services, maintenance and servicing revenue earned from rendering technical services and providing maintenance and servicing is recognised by reference to stage of completion. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Employee benefits

Pension schemes

AIP operates two pension schemes in relation to provident fund and gratuity.

AIP operates a defined contribution provident fund retirement benefits scheme (the "Provident Fund Scheme") in India under the Employee Provident Fund & Miscellaneous Provisions Act, 1952 ("EPFMPA") applicable to any establishment which is a factory or covered under the Act or notified by the government in which 20 or more people are employed for all employees who are eligible to participate in the Provident Fund Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Provident Fund Scheme. The assets of the Provident Fund Scheme are held separately from those of AIP in a state administered fund. AIP's employer contributions vest fully with the employees when contributed into the Provident Fund Scheme.

AIP also operates a gratuity plan for its employees which is a defined benefits pension scheme. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense in the period in which they arise.

Foreign currencies

As disclosed in Section 1 to the Financial Information, the Financial Information is presented in Hong Kong dollars, which is different from AIP's functional currency of Indian Rupees. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For the purpose of this Financial Information, translations of Indian Rupees into HK$ have been made at a rate of 1 INR to HK$0.169.

Significant accounting estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Service warranty

AIP had an obligation of service warranty on machines sold and refurbished as at 30th June 2006. The average warranty period for refurbished machinery varies from three months to one year while the average warranty period for new machinery varies from one to two years depending upon the nature of machinery and terms of the sales agreement. Service and product warranty sold on behalf of the parent company is to be borne by the parent company. Warranty obligation in respect of products sourced from other suppliers is provided on the basis of best estimates made by management.

3. INCOME STATEMENT

The following is a summary of the income statement of AIP for the Relevant Period, which is presented on the basis set out in Section 1 above:

	Notes	**Period from 30th June 2005 (date of incorporation) to 30th June 2006** *HK$'000*
REVENUE	*(a)*	1,978
Cost of service provided		(1,029)
Gross profit		949
Other income and gains		10
Administrative expenses		(2,105)
LOSS BEFORE TAX	*(c)*	(1,146)
Tax	*(f)*	28
LOSS FOR THE PERIOD		(1,118)

Notes:

(a) Revenue

Revenue, which is also AIP's turnover, represents commission income earned from sales of new and refurbished machines, service income from installation and commissioning, annual maintenance and technical services, maintenance and servicing.

An analysis of revenue is as follows:

	Period from 30th June 2005 (date of incorporation) to 30th June 2006 *HK$'000*
Revenue	
Sales commission	1,394
Installation and commissioning	191
Annual maintenance	209
Technical services, maintenance and servicing	174
Others	10
	1,978

(b) Segment information

No business and geographical segment information is presented as all revenue and assets of AIP are related to its machinery servicing operation in India for the Relevant Period.

(c) Loss before tax

AIP's loss before tax is arrived at after charging/(crediting):

	Period from 30th June 2005 (date of incorporation) to 30th June 2006 *HK$'000*
Depreciation	96
Minimum lease payments under operating leases in respect of land and buildings	316
Auditors' remuneration	8
Employee benefits expense (including directors' remuneration *(note 3(d))*:	
Wages and salaries	1,034
Defined contribution expense	68
Defined benefit expense *(note 4(h))*	14
	1,116
Foreign exchange differences, net	(10)

(d) Directors' remuneration

Directors' remuneration for the Relevant Period, disclosed pursuant to the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Period from 30th June 2005 (date of incorporation) to 30th June 2006 *HK$'000*
Fees	—
Other emoluments:	
Salaries, allowances and benefits in kind	145
Pension scheme contributions	13
	158
	158

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors:				
Lim Kheng Joo, Eric	—	—	—	—
Ong Pang Kheng, Allen	—	—	—	—
Alok Bathla	—	145	13	158
	—	145	13	158

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

(e) Five highest paid employees

The five highest paid employees during the Relevant Period included one director, details of whose remuneration are set out in note 3(d) above. Details of the remuneration of the remaining four non-director, highest paid employees during the Relevant Period are as follows:

	Period from 30th June 2005 (date of incorporation) to 30th June 2006
	HK$'000
Salaries, allowances and benefits in kind	351
Pension scheme contributions	32
	383

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees Period from 30th June 2005 (date of incorporation) to 30th June 2006
Nil to HK$1,000,000	4

(f) Tax

Taxes on profits assessable in India have been calculated at the rates of tax prevailing in India in which AIP operates, based on existing legislation, interpretations and practices in respect thereof.

	Period from 30th June 2005 (date of incorporation) to 30th June 2006 *HK$'000*
Deferred *(note 4(g))*	(28)
Tax credit for the period	(28)

A reconciliation of tax credit applicable to loss before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Period from 30th June 2005 (date of incorporation) to 30th June 2006 *HK$'000*
Loss before tax	(1,146)
Tax at the statutory tax rate of 40%	(458)
Expenses not deductible for tax	24
Tax losses not recognised	406
Tax credit at effective rate	(28)

(g) Loss per share

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

4. BALANCE SHEET

The following is a summary of the balance sheet of AIP as at 30th June 2006, which is presented on the basis set out in Section 1 above:

	Notes	**30th June 2006** *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	*(a)*	98
Long term receivables	*(b)*	220
Deferred tax assets	*(g)*	28
Total non-current assets		346
CURRENT ASSETS		
Trade receivables	*(c)*	436
Due from the immediate holding company	*(d)*	865
Prepayments, deposits and other receivables		143
Cash and bank balances		286
Total current assets		1,730
CURRENT LIABILITIES		
Trade payables	*(e)*	105
Other payables and accruals	*(f)*	442
Total current liabilities		547
NET CURRENT ASSETS		1,183
TOTAL ASSETS LESS CURRENT LIABILITIES		1,529
NON-CURRENT LIABILITIES		
Pension liabilities	*(h)*	14
Net assets		1,515
EQUITY		
Issued capital	*(i)*	1,099
Subscription monies received		1,534
Accumulated losses		(1,118)
Total equity		1,515

Notes:

(a) Property, plant and equipment

	Office equipment *HK$'000*	Computers *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
At 30th June 2005 (date of incorporation)	—	—	—	—
Additions	67	94	33	194
Depreciation provided during the period	(19)	(73)	(4)	(96)
At 30th June 2006, net of accumulated depreciation	48	21	29	98
At 30th June 2006:				
Cost	67	94	33	194
Accumulated depreciation	(19)	(73)	(4)	(96)
Net carrying amount	48	21	29	98

(b) Long term receivables

Balance represented certain security deposits placed by AIP. The carrying amount of the long term receivables approximate to their fair value.

(c) Trade receivables

	30th June 2006 *HK$'000*
Due from third parties	436

Sales to third party customers were made on an open-account basis with credit terms ranged from 30 to 90 days and the related trade receivables are non-interest-bearing.

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

	30th June 2006 *HK$'000*
Current to 90 days	405
91 to 180 days	25
181 to 270 days	6
	436

(d) Due from the immediate holding company

The amount due from the immediate holding company is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance approximates to its fair value.

(e) Trade payables

AIP's trade payables are non-interest-bearing and are normally settled on 60-day terms.

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

	30th June 2006
	HK$'000
Current to 90 days	97
91 to 180 days	8
	105

(f) Other payables and accruals

AIP's other payables are non-interest-bearing and are normally settled on 60-day terms.

(g) Deferred tax assets

	Accelerated depreciation allowance	**Pensions provision**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June 2005 (date of incorporation)	—	—	—	—
Deferred tax credited to the income statement during the period *(note 3(f))*	11	12	5	28
At 30th June 2006	11	12	5	28

AIP has tax losses of HK$1,000,000 that are available for offsetting against future taxable profits of AIP in which the losses arose, subject to certain tax rules of India in which AIP operates. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

(h) Pension liabilities

AIP has a defined benefits plan covering its employees. These benefits are unfunded.

The following table summarises the components of net benefit expense recognised in the income statement and amounts recognised in the balance sheet for the plan.

	Period from 30th June 2005 (date of incorporation) to 30th June 2006
	HK$'000
Net benefit expense	
Current service cost	5
Interest cost on benefit obligation	9
	14
Movements in the benefit liabilities during the period are as follows:	
At 30th June 2005	—
Defined benefit expense *(note 3(c))*	14
At 30th June 2006	14

The principal assumptions used in determining the pension obligations for AIP's plans are shown below:

	Period from 30th June 2005 (date of incorporation) to 30th June 2006
	%
Discount rate	7.5
Future salary increases	5

(i) Share capital

	30th June 2006
	HK$'000
Authorised:	
4,400,000 ordinary shares of INR10 (equivalent to HK$1.69) each	7,436
Issued and fully paid:	
650,000 ordinary shares of INR10 (equivalent to HK$1.69) each	1,099

On 8th August 2006, AIP issued an addition of 920,000 ordinary shares of INR10 each, taking the total issued ordinary shares to 1,570,000 ordinary shares at the date of Circular.

5. STATEMENT OF CHANGES IN EQUITY

The following is a summary of the statement of changes in equity of AIP for the Relevant Period, which is presented on the basis set out in Section 1 above:

	Issued share capital	Subscription monies received	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June 2005 (date of incorporation)	—	—	—	—
Issue of shares	1,099	—	—	1,099
Subscription monies received	—	1,534	—	1,534
Net loss for the period	—	—	(1,118)	(1,118)
At 30th June 2006	1,099	1,534	(1,118)	1,515

Subsequent to the balance sheet on 8th August 2006, subscription monies received of HK$1,534,000 were used for the issuance of 920,000 additional shares of INR10 each.

6. CASH FLOW STATEMENT

The following is a summary of the cash flow statement of AIP for the Relevant Period, which is presented on the basis set out in Section 1 above:

	Note	**Period from 30th June 2005 (date of incorporation) to 30th June 2006** *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(1,146)
Adjustment for:		
Depreciation	*3(c)*	96
Operating loss before working capital changes		(1,050)
Increase in long term receivables		(220)
Increase in trade receivables		(436)
Increase in an amount due from the immediate holding company		(865)
Increase in prepayments, deposits and other receivables		(143)
Increase in trade payables		105
Increase in other payables and accruals		442
Increase in pension liabilities		14
Net cash outflow from operating activities		(2,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	*4(a)*	(194)
Net cash outflow from investing activities		(194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		1,099
Subscription monies received		1,534
Net cash inflow from financing activities		2,633
NET INCREASE IN CASH AND CASH EQUIVALENTS		286
Cash and cash equivalents at beginning of period		—
CASH AND CASH EQUIVALENTS AT END OF PERIOD		286
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		286

7. CONTINGENT LIABILITIES

AIP did not have material contingent liabilities at the balance sheet date.

8. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Information, AIP had the following material transaction with a related party during the Relevant Period:

	Period from 30th June 2005 (date of incorporation) to 30th June 2006 *HK$'000*
Sales commission from the immediate holding company	1,102

Note: The commission was based on 10% of the gross profit of the immediate holding company during the period.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

AIP's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for AIP's operations. AIP has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risk arising from AIP's financial instruments are credit risk and liquidity risk. The board reviews and agrees policies for managing these risks as summarised below.

Credit risk

AIP trades only with credit worthy third parties as vetted for credit worthiness by the parent company, AGS Pte. Ltd. In addition, receivable balances are monitored on an ongoing basis and AIP's exposure to bad debts is not significant. The credit risk of the other financial assets of AIP, which comprise cash and cash equivalents and trade receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since AIP trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk

AIP aims to mitigate its liquidity risk by managing cash generated from its operations and by applying cash collection targets and capital injections from the parent company while establishing its operations in India.

10. SUBSEQUENT EVENT

Subsequent to the balance sheet date on 2nd August 2006, Autron Corporation Limited, a company incorporated in Australia and listed on both the Australian Stock Exchange and the Singapore Stock Exchange, the ultimate holding company of AIP, entered into a sales and purchase agreement with Best Creation Investments Limited, a wholly-owned subsidiary of North Asia Strategic Holdings Limited ("NAS"), which is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong, to dispose of its entire equity interest in AIP. The transaction is subject to NAS shareholders' approval and is expected to be completed on or about 31st October 2006.

In addition to the events detailed in note 4(i) and note 5 in the Financial Information and save for the above, no significant events have taken place subsequent to 30 June 2006.

11. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by AIP in respect of any period subsequent to 30th June 2006.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

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

ERNST & YOUNG
安永會計師事務所

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

13th October 2006

The Directors
North Asia Strategic Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group, being the Group (as defined herein) together with American Tec Company Limited ("Amtec") and its subsidiaries (collectively referred to as "Amtec Group") and Autron India Private Limited ("AIP"), set out on pages 158 to 164 in Appendix IV to the circular dated 13th October 2006 (the "Circular") issued by North Asia Strategic Holdings Limited (the "Company", and together with its subsidiaries are referred to as the "NAS Group"). The Unaudited Pro Forma Financial Information, which has been prepared by the directors for illustrative purposes only, provides information about how the proposed acquisition of 100% equity interest in both Amtec Group and AIP by the Company (the "Acquisition") might have affected the financial information presented, for inclusion as Appendix IV to the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix IV to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the NAS Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company as set out on page 158 to 164 to the Circular and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Enlarged Group as at 31st March 2006, 30th June 2006 or any future dates; or

— the financial results and the cash flows of the Enlarged Group for the year ended 31st March 2006, year/period ended 30th June 2006 or any future periods.

Opinion

In our opinion:

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

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

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

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

I. UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

The unaudited pro forma balance sheet of the Enlarged Group has been prepared to provide information on the Enlarged Group as a result of the Completion based on:

(1) the audited consolidated balance sheet of the NAS Group as at 31st March 2006, as set out in the annual report of the Company dated 21st June 2006;

(2) the audited consolidated balance sheet of Amtec Group as at 30th June 2006, as set out in Appendix II to this Circular; and

(3) the audited balance sheet of AIP as at 30th June 2006, as set out in Appendix III to this Circular.

As the unaudited pro forma balance sheet is prepared for illustrative purpose assuming the Completion took place as at the balance sheet date on 30th June 2006, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up or at any future dates.

	The NAS Group as at 31st March 2006	**Amtec Group as at 30th June 2006**	**AIP as at 30th June 2006**	**Pro forma combined**	**Pro forma adjustments**		**Unaudited pro forma of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets							
Property, plant and equipment	478	20,235	98	20,811	—		20,811
Goodwill	—	—	—	—	407,990	*1a*	407,990
Website development costs	6	—	—	6	—		6
Subscription receivables, non-current portion	494,135	—	—	494,135	—		494,135
Long term portion of finance lease receivables	—	12,577	—	12,577	—		12,577
Long term receivables	—	—	220	220	—		220
Deferred tax assets	—	—	28	28	—		28
Total non-current assets	494,619	32,812	346	527,777			935,767
Current assets							
Inventories	26,399	131,090	—	157,489	50,335	*2*	207,824
Trade and bills receivables	115	163,842	436	164,393	(36,632)	*3*	127,761
Prepayments, deposits and other receivables	16,745	19,748	143	36,636	—		36,636
Finance lease receivables	—	39,577	—	39,577	—		39,577
Due from the immediate holding company	—	—	865	865	—		865
Due from fellow subsidiaries	—	120,480	—	120,480	—		120,480
Subscription receivables	271,410	—	—	271,410	(271,410)	*1d*	—
Pledged bank deposits	3,055	—	—	3,055	—		3,055
Cash and cash equivalents	292,847	17,891	286	311,024	(176,549)	*1b, 1d*	134,475
Total current assets	610,571	492,628	1,730	1,104,929			670,673

	The NAS Group as at 31st March 2006	Amtec Group as at 30th June 2006	AIP as at 30th June 2006	Pro forma combined	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current liabilities							
Interest-bearing bank and other borrowings	—	257,554	—	257,554	—		257,554
Trade and bills payables	36,916	158,681	105	195,702	—		195,702
Accruals and other payables	2,545	38,360	442	41,347	4,000	*1e*	45,347
Receipts in advance	792	—	—	792	—		792
Derivative financial instruments	—	944	—	944	—		944
Current income tax liabilities	700	7,311	—	8,011	—		8,011
Amount due to Autron	—	—	—	—	13,703	*2, 3*	13,703
Total current liabilities	40,953	462,850	547	504,350			522,053
Net current assets	569,618	29,778	1,183	600,579			148,620
Total assets less current liabilities	1,064,237	62,590	1,529	1,128,356			1,084,387
Non-current liabilities							
Interest-bearing bank and other borrowings	—	2,011	—	2,011	—		2,011
Convertible bonds	14,642	—	—	14,642	—		14,642
Pension liabilities	—	—	14	14	—		14
Deferred tax liabilities	—	484	—	484	—		484
Total non-current liabilities	14,642	2,495	14	17,151			17,151
Net assets	1,049,595	60,095	1,515	1,111,205			1,067,236
Equity							
Capital and reserves attributable to equity holders of the Company							
Share capital	74,790	60,000	1,099	135,889	(61,099)	*1c*	74,790
Reserves	974,805	95	416	975,316	17,130	*1c, 1d*	992,446
Shareholders' equity	1,049,595	60,095	1,515	1,111,205			1,067,236

II. UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma income statement of the Enlarged Group has been prepared to provide information on the Enlarged Group as a result of the Completion based on:

(1) the audited consolidated income statement of the NAS Group for the year ended 31st March 2006, as set out in the annual report of the Company dated 21st June 2006;

(2) the audited consolidated income statement of Amtec Group for the year ended 30th June 2006, as set out in Appendix II to this Circular; and

(3) the audited income statement of AIP for the period from 30th June 2005 (date of incorporation) to 30th June 2006, as set out in Appendix III to this Circular.

As the unaudited pro forma income statement is prepared for illustrative purpose assuming the Acquisition had been completed on 1st April 2005, it may not give a true picture of the results of the Enlarged Group for the financial period in respect of which it is made up or for any future financial periods.

	The NAS Group for the year ended 31st March 2006	Amtec Group for the year ended 30th June 2006	AIP for the period from 30th June 2005 (date of incorporation) to 30th June 2006	Pro forma combined	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Revenue	359,948	1,123,964	1,978	1,485,890	—		1,485,890
Cost of sales	(354,154)	(981,670)	(1,029)	(1,336,853)	—		(1,336,853)
Gross profit	5,794	142,294	949	149,037			149,037
Other income and gains	5,051	3,139	10	8,200	17,641	*1d*	25,841
Selling and distribution expenses	(2,180)	(36,472)	—	(38,652)	—		(38,652)
General and administrative expenses	(22,364)	(63,733)	(2,105)	(88,202)	—		(88,202)
Other operating expenses	—	(3,683)	—	(3,683)	—		(3,683)
Finance costs	(3,296)	(10,100)	—	(13,396)	—		(13,396)
Profit/(loss) before income tax	(16,995)	31,445	(1,146)	13,304			30,945
Income tax credit/(expense)	5,007	(5,735)	28	(700)	—		(700)
Profit/(loss) for the year, attributable to equity holders of the Company	(11,988)	25,710	(1,118)	12,604			30,245
Dividends	—	113,529	—	113,529			113,529

III. UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma cash flow statement of the Enlarged Group has been prepared to provide information on the Enlarge Group as a result of the Completion based on:

(1) the audited consolidated cash flow statement of the NAS Group for the year ended 31st March 2006, as set out in the annual report of the Company dated 21st June 2006;

(2) the audited consolidated cash flow statement of Amtec Group for the year ended 30th June 2006, as set out in Appendix II of the Circular; and

(3) the audited cash flow statement of AIP for the period from 30th June 2005 (date of incorporation) to 30th June 2006, as set out in Appendix III to this Circular.

As the unaudited pro forma cash flow statement is prepared for illustrative purpose assuming the Acquisition had been completed on 1st April 2005, it may not give a true picture of the cash flow of the Enlarged Group for the financial period in respect of which it is made up or for any future financial periods.

	The NAS Group for the year ended 31st March 2006	Amtec Group for the year ended 30th June 2006	AIP for the period from 30th June 2005 (date of incorporation) to 30th June 2006	Pro forma combined	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Cash flow from operating activities							
Profit/(loss) before tax	(16,995)	31,445	(1,146)	13,304	17,641	*1d*	30,945
Interest income	(1,707)	(126)	—	(1,833)	—		(1,833)
Interest expenses	3,296	10,100	—	13,396	—		13,396
Depreciation of property, plant and equipment	373	4,023	96	4,492	—		4,492
Loss on disposal of property, plant and equipment	23	16	—	39	—		39
Amortisation of website development costs	15	—	—	15	—		15
Amortisation of interest income in relation to subscription monies	—	—	—	—	(17,641)	*1d*	(17,641)
Gain on disposal of subsidiaries, net	(98)	—	—	(98)	—		(98)
Write-back of provision for claim	(2,977)	—	—	(2,977)	—		(2,977)
Fair value losses on derivative instruments — transactions not qualifying as hedges, net	—	702	—	702	—		702

	The NAS Group for the year ended 31st March 2006 HK$'000	Amtec Group for the year ended 30th June 2006 HK$'000	AIP for the period from 30th June 2005 (date of incorporation) to 30th June 2006 HK$'000	Pro forma combined HK$'000	Pro forma adjustments HK$'000	Notes	Unaudited pro forma of the Enlarged Group HK$'000
Operating profit/(loss) before working capital changes	(18,070)	46,160	(1,050)	27,040	—		27,040
Decrease in inventories	56,961	1,714	—	58,675	(50,335)	2	8,340
Increase in deposits for purchase of inventories	(44,128)	—	—	(44,128)	—		(44,128)
Increase in trade and bills receivables	(798)	(56,889)	(436)	(58,123)	36,632	3	(21,491)
Decrease/(increase) in prepayments, deposits and other receivables	10,788	(7,728)	(143)	2,917	—		2,917
Increase/(decrease) in trade and bills payables	(57,128)	58,507	105	1,484	—		1,484
Increase in other payables and accruals	37,780	22,167	442	60,389	—		60,389
Increase in pension liabilities	—	—	14	14	—		14
Increase in long term receivables	—	—	(220)	(220)	—		(220)
Increase in receipts in advance	8,276	—	—	8,276	—		8,276
Decrease in finance lease receivables	—	45,139	—	45,139	—		45,139
Increase in amount due from the immediate holding company	—	—	(865)	(865)	—		(865)
Movement in amounts with fellow subsidiaries	—	(141,000)	—	(141,000)	—		(141,000)
Decrease in amount due from a director	—	404	—	404	—		404
Increase in amount due to Autron	—	—	—	—	13,703	2,3	13,703
Translation adjustments	291	208	—	499	—		499
Cash used in operations	(6,028)	(31,318)	(2,153)	(39,499)	—		(39,499)
Hong Kong profits tax paid	—	(558)	—	(558)	—		(558)
Overseas taxes paid	—	(300)	—	(300)	—		(300)
Mainland China enterprise income tax refunded	172	—	—	172	—		172
Interest paid	(2,266)	(9,359)	—	(11,625)	—		(11,625)
Interest element on finance lease rental payments	—	(741)	—	(741)	—		(741)
Net cash outflow from operating activities	(8,122)	(42,276)	(2,153)	(52,551)	—		(52,551)

	The NAS Group for the year ended 31st March 2006 HK$'000	Amtec Group for the year ended 30th June 2006 HK$'000	AIP for the period from 30th June 2005 (date of incorporation) to 30th June 2006 HK$'000	Pro forma combined HK$'000	Pro forma adjustments HK$'000	Notes	Unaudited pro forma of the Enlarged Group HK$'000
Cash flows from investing activities							
Purchase of subsidiaries (net of cash and cash equivalents acquired)	—	—	—	—	(452,637)	1b	(452,637)
Cash disposed of by sale of subsidiaries, net of proceeds of sales	(9,506)	—	—	(9,506)	—		(9,506)
Additions of property, plant and equipment	(113)	(1,379)	(194)	(1,686)	—		(1,686)
Proceeds from sales of property, plant and equipment	15	306	—	321	—		321
Interest received	1,000	126	—	1,126	—		1,126
Decrease in pledged bank deposits	13,025	—	—	13,025	—		13,025
Repayments to the ultimate holding company	—	(315)	—	(315)	—		(315)
Net cash inflow/(outflow) from investing activities	4,421	(1,262)	(194)	2,965	(452,637)		(449,672)
Cash flows from financing activities							
Issue of ordinary shares	12,530	—	1,099	13,629	—		13,629
Issue of convertible bonds	20,000	—	—	20,000	—		20,000
Issue of preference shares	289,050	—	—	289,050	289,051	1d	578,101
Share issue expenses	(13,935)	—	—	(13,935)	—		(13,935)
Subscription monies received	—	—	1,534	1,534	—		1,534
New bank loans	—	302,959	—	302,959	—		302,959
Repayment of bank loans	(24,360)	(236,162)	—	(260,522)	—		(260,522)
Decrease in trust receipt loans	—	(9,036)	—	(9,036)	—		(9,036)
Decrease in collateralised advances	—	(5,777)	—	(5,777)	—		(5,777)
Capital element of finance lease rental payments	—	(5,422)	—	(5,422)	—		(5,422)
Net cash inflow from financing activities	283,285	46,562	2,633	332,480	289,051		621,531
Net increase in cash and cash equivalents	279,584	3,024	286	282,894	(163,586)		119,308
Cash and cash equivalents at the beginning of the year	13,263	12,963	—	26,226	(12,963)	1b	13,263
Cash and cash equivalents at end of year	292,847	15,987	286	309,120	(176,549)		132,571
Analysis of balances of cash and cash equivalents							
Cash and bank balances	292,847	17,891	286	311,024	(176,549)		134,475
Bank overdraft, secured	—	(1,904)	—	(1,904)	—		(1,904)
	292,847	15,987	286	309,120	(176,549)		132,571

Notes to the Unaudited Pro Forma Financial Information:

1a. The adjustment represents the goodwill of approximately HK$407,990,000 arising from the Acquisition with reference to the net asset value of Amtec Group and AIP of approximately HK$60,095,000 and HK$1,515,000 respectively, as if the Acquisition was completed on 30th June 2006.

1b. The adjustment represents the total consideration of US$59,000,000 (approximately HK$457,840,000) and US$1,000,000 (approximately HK$7,760,000) in connection with the acquisition of entire issued share capital of Amtec Group and AIP respectively, which will be satisfied by cash.

1c. The adjustment represents the elimination of the share capital and pre-acquisition reserves of Amtec Group of HK$60,000,000 and approximately HK$95,000 respectively; and of AIP of approximately HK$1,099,000 and HK$416,000 respectively.

1d. The adjustment represents the drawdown of subscription monies in relation to the approximately 7,383,167,000 Preference Shares issued in 2006 amounting to approximately HK$289,051,000, which is used to finance the Acquisition. The related change in fair value of the subscription receivables of approximately HK$17,641,000 is credited to the income statement accordingly.

1e. The adjustment represents the estimated direct legal and professional costs related to the Acquisition of approximately HK$4,000,000.

2. Assuming the Acquisition was completed as at 30th June 2006, the adjustment represents the initial purchase price of inventories purchased from Autron pursuant to the terms of the Supplemental Agreement which amounts to approximately HK$50,335,000.

   The Unaudited Pro Forma Financial Information has not taken into account the settlement of the Inventories Purchase Price, as it is impracticable to ascertain the downward adjustment thereto (if any) and the amount of uncollected Accounts Receivables. Further details of the settlement arrangement for the Inventories Purchase Price are set out in the paragraph headed "Post-completion undertakings" in the letter from the Board contained in the Circular.

3. The adjustment represents the undertaking by Autron of certain receivables of approximately HK$36,632,000 in order to fully settle the remaining balance of the Autron Debt as stipulated in the Supplemental Agreement after taking into consideration certain repayments made by the Autron Group subsequent to the balance sheet date, assuming the Acquisition was completed as of 30th June 2006.

Set out below is a summary of the principal terms and conditions of the Scheme which is included for providing sufficient information to the Shareholders for their consideration of the Scheme proposed to be approved at the Special General Meeting.

(1) PURPOSE OF THE SCHEME

The purpose of the Scheme is to enable the Best Creation Group to grant options to selected participants as incentives or rewards for their contribution to the Best Creation Group. The Directors consider that the Scheme, with its broad basis of participation, will enable the Best Creation Group to reward the directors and employees of the members of the Best Creation Group and other selected participants for their contributions to the Best Creation Group. Given that the board of directors of Best Creation (the "Best Creation Board") is entitled to determine any performance target to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option will be fixed having regard to the interests of the Best Creation Group, it is expected that in order to capitalise on the benefits of the options granted, grantees of an option will contribute further to the development of the Best Creation Group and the NAS Group so as to bring about an increased value of the Shares.

(2) WHO MAY JOIN

The Best Creation Board may at its absolute discretion, invite any person belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for shares (the "Best Creation Shares") of US$1.00 each in the share capital of Best Creation:

(a) any employee (whether full time or part time) of any member of the Best Creation Group or any entity ("Invested Entity") in which the Best Creation Group holds an equity interest (the persons are collectively referred to as the "Eligible Employees");

(b) any director or other officer of any member of the Best Creation Group or any Invested Entity;

(c) any supplier of goods or services to any member of the Best Creation Group or any Invested Entity;

(d) any customer of the Best Creation Group or any Invested Entity;

(e) any person or entity that provides research, development or other support to the Best Creation Group or any Invested Entity;

(f) any shareholder of any member of the Best Creation Group or any Invested Entity or any holder of any securities issued by any member of the Best Creation Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Best Creation Group or any Invested Entity; and

(h) any joint venture partner or business alliance of the Best Creation Group who has contributed to the development and growth of the Best Creation Group.

For the avoidance of doubt, the grant of any options by Best Creation for the subscription of Best Creation Shares or other securities of any member of the Best Creation Group to any Eligible Participant shall not, by itself, unless the Best Creation Board otherwise determine, be construed as a grant of option under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any option shall be determined by the Best Creation Board from time to time on the basis of the opinion of the Best Creation Board as to his contribution to the development and growth of the Best Creation Group.

(3) MAXIMUM NUMBER OF BEST CREATION SHARES

(a) The maximum number of Best Creation Shares to be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the NAS Group must not in aggregate exceed 30% of the issued share capital of Best Creation from time to time.

(b) The total number of Best Creation Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option schemes of the NAS Group) to be granted under the Scheme and any other share option scheme of the NAS Group must not in aggregate exceed 10% of the Best Creation Shares in issue as at the date of passing of the relevant resolution of the Company approving the Scheme (the "General Scheme Limit"). On the basis that there were a total of 60,000,000 Best Creation Shares in issue as at Latest Practicable Date and no further Best Creation Shares will be issued or repurchased prior to the Special General Meeting, the Best Creation Board will be allowed to grant options carrying rights to subscribe for a maximum of 6,000,000 Best Creation Shares under the General Scheme Limit.

(c) Subject to sub-paragraph (a) of this paragraph (3) above but without prejudice to sub-paragraph (d) of this paragraph (3) below, the Company may issue a circular to the Shareholders and seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Best Creation Shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the NAS Group must not exceed 10% of the Best Creation Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme and any other share option schemes of the NAS Group) previously granted under the Scheme and any other share option schemes of the NAS Group will not be counted. The circular sent by the Company to the Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(d) Subject to sub-paragraph (a) of this paragraph (3) above and without prejudice to sub-paragraph (c) of this paragraph (3) above, the Company may seek separate Shareholders' approval in general meeting for the grant of options beyond the General Scheme Limit or, if applicable, the limit referred to in (c) above to participants specifically identified by Best Creation before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(4) MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of Best Creation Shares issued and to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the NAS Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of Best Creation for the time being (the "Individual Limit"). Any further grant of options, which would result in the Best Creation Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options), in any 12-month period up to and including the date of such further grant in excess of the Individual Limit shall be subject to the issue of the circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price or the basis of determination of the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval.

(5) GRANT OF OPTIONS TO CERTAIN CONNECTED PERSONS

(a) Any grant of options under the Scheme to a director, chief executive, management shareholder (as defined in the GEM Listing Rules) or substantial shareholder (as defined in the GEM Listing Rules) of any member of the NAS Group or any of their respective associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who and whose associate is also the proposed grantee of the options).

(b) Where any grant of options to a substantial shareholder or an independent non-executive director of any member of the NAS Group, or any of their respective associates, would result in the Best Creation Shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1% of the Best Creation Shares in issue; and

(bb) having an aggregate value, based on value per issued Best Creation Share calculated by reference to the net asset value of Best Creation as shown in the audited accounts of Best Creation made up to the most recent completed financial year, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(6) TIME OF ACCEPTANCE AND EXERCISE OF OPTION

An option may be accepted by a participant within 21 days from the date of the offer for grant of the option, provided that the offer shall automatically lapse if and when the participant ceases to be qualified as an Eligible Participant during the period for acceptance of the offer.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Best Creation Board to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Best Creation Board and stated in the offer for the grant of options to grantees, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

(7) PERFORMANCE TARGETS

Unless the Best Creation Board otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Scheme can be exercised.

(8) EXERCISE PRICE FOR BEST CREATION SHARES AND CONSIDERATION FOR THE OPTION

The exercise price for Best Creation Shares under the Scheme will be a price determined by the Best Creation Board, provided that the exercise price in respect of a particular option shall not be less than the nominal value of a Best Creation Share.

Where a separate listing of the Best Creation Shares on GEM, the Main Board of the Stock Exchange or any other stock exchange has been resolved by the Company, the exercise price of options to be granted under the Scheme during the period commencing on the earlier of:

(i) the date on which the Company has resolved to seek such separate listing; or

(ii) the date falling six months before the lodgement of the formal application for such separate listing,

and expiring on the listing date of the Best Creation Shares must be not lower than the issue price (if any) of the new Best Creation Shares in respect of such separate listing. Where necessary, adjustment in respect of such options will be made for compliance with the above requirement.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(9) RANKING OF BEST CREATION SHARES

(a) Best Creation Shares allotted upon the exercise of an option will be subject to all the provisions of the articles of association of Best Creation and will rank pari passu in all respects with the fully paid Best Creation Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of Best Creation is closed, the first day of the reopening of the register of members ("Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions declared, paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Best Creation Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of Best Creation as the holder thereof.

(b) Unless the context otherwise requires, references to "Best Creation Shares" in this paragraph include references to shares in the ordinary equity share capital of Best Creation of such nominal amount as shall result from a sub-division, consolidation, re-classification or re-construction of the share capital of Best Creation from time to time.

(10) RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

(a) No offer for the grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Directors for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period, and (ii) the last date on which the Company must publish its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period, and ending on the date of the announcement of the results, no option may be granted.

(b) The Best Creation Board may not grant any option to a participant during the periods or times in which such participant is prohibited from dealing in Shares under such circumstances as prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(11) PERIOD OF THE SCHEME

The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme is adopted.

(12) RIGHTS ON CEASING EMPLOYMENT

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (14) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Best Creation Board otherwise determines in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Best Creation Board may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Best Creation Group or the Invested Entity whether salary is paid in lieu of notice or not.

(13) RIGHTS ON DEATH, ILL-HEALTH OR RETIREMENT

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation, which date shall be the last day on which the grantee was at work with the Best Creation Group or the Invested Entity, whether salary is paid in lieu of notice or not or such longer period as the Best Creation Board may determine.

(14) RIGHTS ON DISMISSAL

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Best Creation Board does not bring the grantee or the Best Creation Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(15) RIGHTS ON BREACH OF CONTRACT

If the Best Creation Board shall at its absolute discretion determine that (a) (i) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Best Creation Group or any Invested Entity on the other part, or (ii) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (iii) the grantee could no longer make any contribution to the growth and development of the Best Creation Group by reason of the cessation of its relations with the Best Creation Group or by other reason whatsoever; and (b) the option granted to the grantee under the Scheme shall lapse as a result of any event specified in sub-paragraph (a) (i), (ii) or (iii) of this paragraph (15) above, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Best Creation Board has so determined.

(16) RIGHTS ON A GENERAL OFFER, A COMPROMISE OR ARRANGEMENT

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Best Creation Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, Best Creation shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the holders of the Best Creation Shares. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to Best Creation in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

(17) RIGHTS ON WINDING UP

In the event of a resolution being proposed for the voluntary winding-up of Best Creation during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to Best Creation at any time not less than two (2) business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Scheme and Best Creation shall allot and issue to the grantee the Best Creation Shares in respect of which such grantee has exercised his option not less than one (1) business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Best Creation Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of Best Creation available in liquidation pari passu with the holders of the Best Creation Shares on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up.

(18) ADJUSTMENTS TO THE EXERCISE PRICE

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Best Creation Shares or reduction of capital of Best Creation whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company or an independent financial adviser to Best Creation as fair and reasonable will be made to (a) the number or nominal amount of Best Creation Shares to which the Scheme or any option(s) relate (so far as unexercised); and/or (b) the number of Best Creation Shares comprised in an option; and/or (c) the exercise price of the option concerned, provided that (aa) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) the issue of Best Creation Shares or other securities of the NAS Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (cc) no alteration shall be made the effect of which would be to enable a Best Creation Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Best Creation Board in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules.

In the event of a separate listing of the Best Creation Shares having been resolved by the Company, similar adjustment in respect of options granted during the period referred to in paragraph (8) and yet to be exercised shall, where necessary, be made such that the exercise price of such options does not exceed the issue price of the new Best Creation Shares to be issued in relation to the separate listing.

(19) CANCELLATION OF OPTIONS

Subject to paragraph (21) below, any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Best Creation Board. Where Best Creation cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders in general meeting pursuant to sub-paragraph (c) or (d) of paragraph (3) above.

(20) TERMINATION OF THE SCHEME

Subject to the approval of the Shareholders in general meeting, Best Creation may by resolution at any time terminate the Scheme and in such event no further options shall be offered but in all other respects the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme.

(21) RIGHTS ARE PERSONAL TO THE GRANTEE

An option is personal to the grantee and shall not be transferable or assignable. The grantee shall not sell, transfer, mortgage, encumber or in any way create any interest in any option granted. Any breach of the foregoing will entitle Best Creation to cancel any outstanding option or any part thereof granted to the grantee in breach without incurring any liability on the part of Best Creation.

(22) LAPSE OF OPTION

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(a) the expiry of the period referred to in paragraph (6);

(b) the expiry of the periods or dates referred to in paragraphs (12), (13), (14), (15) and (17); and

(c) the date on which the Best Creation Board shall cancel the option by reason of the beach of paragraph (21) above.

(23) MISCELLANEOUS

(a) The Scheme is conditional on the Shareholders approving it at the Special General Meeting.

(b) The terms and conditions of the Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(c) Any alterations to the terms and conditions of the Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme.

(d) The amended terms of the Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(e) Any change to the authority of the Best Creation Board or the scheme administrators in relation to any alteration to the terms of the Scheme shall be approved by the Shareholders in general meeting.

(24) STATUS OF THE SCHEME

Options granted under the Scheme will not be listed or dealt in on GEM, the Main Board of the Stock Exchange or any other stock exchange.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Göran Sture Malm, Chairman, aged 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.

Mr. Henry Cho Kim, Deputy Chairman, 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.

Mr. Savio Chow Sing Nam, Chief Executive Officer, 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, Berkeley. Mr. Chow is a member of the remuneration committee and the compliance officer of the Company.

Mr. Andrew Yao Cho Fai, aged 41, has been with the Company since the formal establishment of the trading operation in April 1997. He graduated from the University of California, Berkeley and Harvard Graduate School of Business. Mr. Yao has extensive experience in the steel trading business and is the Chairman and Chief Executive Officer of Van Shung Chong Holdings Limited. 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 First Vice Chairman of the Hong Kong United Youth Association Limited, Deputy Chairman of the Shanghai Youths Federation and the China Young Entrepreneurs' Association, Director of the Shanghai Fudan University and court member of the University of Hong Kong.

Independent Non-executive Directors

Mr. Philip Ma King Huen, aged 50, 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.

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.

Mr. Edgar Kwan Chi Ping, aged 57, joined the Company in August 2005. Mr. Kwan, a Civil Engineer, has over 30 years of local and international experience in engineering, construction and project management. He is 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

Ms. Grace Luk Pui Yin, Chief Financial Officer, 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 joining 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.

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

3. DISCLOSURE OF INTERESTS

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

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

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

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

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

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings [(b)]	*Note*
Mr. 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*

Notes:

1. These interests represented:

   (i) a deemed interest in 1,598,113 Shares 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 held by Huge Top;

   (ii) a deemed interest in 6,336,309 Shares 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 held by VSC BVI. These Shares are the same 6,336,309 Shares referred to in note 23 under (b) below;

(iii) a deemed interest in 1,633,676 Shares 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 held by TN. These Shares were the same 1,633,676 Shares referred to in note 23 under (b) below; and

(iv) an interest in 1,024,000 Shares 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 18 under (b) below.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares and debentures 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 Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed companies to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the Shares and/or underlying Shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the NAS 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 issued under the Placements. The Preference Shares shall be automatically converted into Shares, credited as fully paid, at the conversion ratio of one Preference Share for one Share in accordance with the terms of the Preference Shares. Those underlying Shares referred to in notes 1 and 4 below arise as a result of the conversion of the Convertible Bonds.

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

Substantial Shareholders (interests related to Shareholders)

Name	Capacity	Number of 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%	
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)

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings [(d)]	Note
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%	
Woori Bank ("Woori")	Beneficial owner	—	792,848,020	792,848,020	827.65%	*8*
Woori Finance Holdings Co., Ltd.	Interest of controlled corporation	—	792,848,020	792,848,020	827.65%	*8*
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%	*9*
Tiger International Management Inc. ("Tiger")	Beneficial owner	—	297,318,008	297,318,008	310.37%	*10*
Mr. Chen Jong-Tai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	*10*

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings [(d)]	Note
Ms. Chen Wu, Feng-Tsai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	*10*
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%	*11*
Mr. Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	*11*
Grand Partners Group Limited (“Grand Partner”)	Nominee	—	247,765,006	247,765,006	258.64%	*12*
Mr. William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	*12*
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%	*13*
Mr. Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	*13*
Ms. Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	*13*
Asia Internet Capital Ventures LP (“AICV”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	*14*
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*14*

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings [d]	*Note*
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*14*
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*14*
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*14*
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	*14*
Gentfull Investment Limited (“Gentfull”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	*15*
Ms. Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*15*
Doutdes S.P.A. (“Doutdes”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	*16*
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*16*
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*16*
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	*17*
Mr. Giorgio Girondi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	*16 & 17*
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	*18*
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	*18*
KKR Group Investments II LLC (“KKR”)	Beneficial owner	—	89,080,460	89,080,460	92.99%	*19*
Mr. George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	*19*

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings [(d)]	*Note*
Mr. Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	*19*
Glint Delta II NV (“Glint”)	Nominee	—	78,544,061	78,544,061	81.99%	*20*
Mr. Fentener Van Vlissingen Harold (“Mr. Van Vlissingen”)	Beneficial owner	—	78,544,061	78,544,061	81.99%	*20*
Rawlco Capital Ltd. (“Rawlco”)	Beneficial owner	—	49,553,001	49,553,001	51.73%	*21*
Mr. Gordon Stanley Rawlinson	Interests of controlled corporation	—	49,553,001	49,553,001	51.73%	*21*
UBS España, S.A. (“UBS”)	Nominee	—	128,441,377	128,441,377	134.08%	*22*
Ms. Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*22*
Mr. Jorge Garcia Gonzalez	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*22*
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	*22*
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	*22*
Kobrither, S.A.	Nominee	—	14,865,900	14,865,900	15.52%	*22*
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	*22*
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	*22*
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	*22*
Mr. Miguel Orúe-Echeverria	Beneficial owner	—	9,910,600	9,910,600	10.35%	*22*
Other persons (interests related to preference shareholders)						
Arcosilo, S.L.	Nominee	—	7,432,950	7,432,950	7.76%	*22*
Mr. Blanca Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	*22*

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings (d)	*Note*
Mr. Fernando Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	*22*
Mr. Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	*22*
Other persons (interests related to Shareholders)						
VSC BVI	Beneficial owner	6,336,309	—	6,336,309	6.61%	*23*
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	*23*
				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%	*23 & 24*
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%	*23 to 25*
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%	*23 to 25*
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%	*23 to 26*

Notes:

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

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

3. Mr. Tsang was deemed to be interested in 148,659,004 underlying Shares by virtue of his being a founder of a discretionary trust, the trustee of which was HSBC International Trustee Limited ("HSBC Trustee"). HSBC Trustee, through its controlling interests in Asia Internet Capital Management LLC which acted as the investment manager of AICV, was deemed to be interested in 148,659,004 underlying Shares. These 148,659,004 underlying Shares are the same underlying Shares referred to in note 14 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 Sachs (Asia) Finance, a company controlled by The Goldman Sachs (Asia) Finance Holdings L.L.C.. The Goldman Sachs Group, Inc. was deemed to have interests in these underlying Shares through its direct subsidiary, The Goldman Sachs Global Holdings L.L.C., and its indirect subsidiary, The Goldman Sachs & Co., which was in turn the controlling company of The Goldman Sachs (Asia) Finance Holdings L.L.C.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying Shares by virtue of their respective corporate interests in Goldman Sachs (Asia) Finance.

8. These underlying Shares were held by Woori, a company controlled by Woori Finance Holdings Co., Ltd..

9. These underlying Shares were held by Oikos, a company controlled by Walkers SPV Limited.

10. 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.

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

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

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

14. 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 are the same underlying Shares referred to in note 3 above.

15. 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.

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

17. 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.

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

19. 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.

20. These underlying Shares were held by Glint, a company 99% controlled by Mr. Van Vlissingen. Accordingly, Mr. Van Vlissingen was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Glint.

21. 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.

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

23. 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.

24. 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.

25. 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; Perfect Capital and Huge Top were therefore deemed to be interested in 1,633,676 Shares held by TN and 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.

26. 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 had an interest or short position in the shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

4. LITIGATION

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

On 22nd January 2005, Amtec entered into an agreement ("Purchase Agreement") with a customer ("Customer") located in Changzhou, the PRC, for the purchase by the Customer from Amtec of two Fuji assembly production lines ("Production Lines"). Under the Purchase Agreement, the consideration for the Production Lines shall be paid in instalments and before the consideration for the Production Lines are paid in full, Amtec shall retain the title to the Production Lines. It is further provided in the Purchase Agreement that should there be defaults in payment by the Customer for three consecutive months, Amtec shall be entitled to, among others, recover the Production Lines.

In May 2006, the Customer ceased production and had defaulted in payment for more than three consecutive months, with a total outstanding amount of approximately US$1.8 million (equivalent to approximately HK$14.0 million) due to Amtec at that time. On 6th July 2006, Amtec applied to the China International Economic and Trade Arbitration Commission ("CIETAC") for, among others, the recovery of the Production Lines. On 25th August 2006, Amtec applied to the Intermediate People's Court of Changzhou, the PRC, for the preservation of the Customer's assets amounting to RMB3.0 million and it was ordered by the Intermediate People's Court of Changzhou that such assets shall be preserved and shall not be disposed of without the court's approval. According to Amtec, the amount of the assets under preservation relates solely to the Production Lines. The hearing of the arbitration at CIETAC is expected to be held on 2nd November 2006.

In relation to the above claim, a provision of approximately HK$1.5 million was made against such an amount due from the Customer in the audited accounts of the Amtec Group as at 30th June 2006 in order to bring the value of the amount owing from the Customer, which amounted to approximately HK$12.5 million (net of provision), to the net realisable value of the Production Lines.

5. MATERIAL CONTRACTS

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

1. the subscription agreement (the "Ajia Parties Subscription Agreement") dated 19th May 2005 entered into among NASAC and Mr. Tsang (together, the "Ajia Parties"), the Company and Huge Top in relation to the subscription of 63,856,960 Shares and the Convertible Bonds, details of which are set out in the circular of the Company dated 20th June 2005;

2. the deed of indemnity (the “Deed”) dated 19th May 2005 made amongst Huge Top, Mr. Andrew Cho Fai Yao, the Company and the Ajia Parties in conjunction with the Ajia Parties Subscription Agreement;

3. the underwriting agreement dated 19th May 2005 between the Company and VSC BVI relating to the underwriting of Shares pursuant to the open offer detailed in the prospectus of the Company dated 21st July 2005;

4. the sales and purchase agreement dated 26th August 2005 entered into among the Company, Ace Level Investments Limited and Mr. Lam Kam Chuen relating to the sales and purchase of 70% of the entire issued share capital of Best Quality Limited, details of which are set out in the circular of the Company dated 23rd September 2005;

5. the nineteen subscription agreements (with addendum where applicable) with nineteen institutional investors including AICV and Timeless dated various dates in the period from September 2005 to January 2006 in relation to placement of an aggregate of 7,383,166,793 Preference Shares to them, details of which are set out in the circular of the Company dated 24th January 2006, and announcements of the Company dated 6th and 13th March 2006 and 3rd April 2006;

6. the service agreement (the “Service Agreement”) dated 26th September 2005 (as amended and restated on 30th December 2005) entered into between the Company and NASA;

7. each of the side letters and/or agreements entered into between the Company and the four placees of Preference Shares who are nominated by the Ajia Parties and invested at least US$10 million each in the Preference Shares in relation to their respective additional rights;

8. the agreements dated 20th February 2006 and 4th September 2006 entered into among the Ajia Parties and the Company pursuant to which the Ajia Parties agree to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placements of Preference Shares to institutional investors completed in February and March 2006 and to Woori Bank in September 2006 respectively;

9. the subscription agreements dated 20th July 2006 between the Company and Woori in relation to the placement of 792,848,020 Preference Shares to Woori Bank, details of which are set out in the circular of the Company dated 17th August 2006;

10. the Agreement;

11. the Supplemental Agreement; and

12. the facility agreement dated 14th August 2006 (as supplemented by a subsequent agreement dated 13th September 2006) and the deed of charge dated 14th September 2006 entered into by Autron, Amtec, other subsidiaries of Autron named therein and ABN AMRO Bank N.V. ("ABN") in relation to the term loan facility of US$45.0 million granted by ABN to Autron, for which the entire share capital of Amtec are pledged by Autron to ABN as security. The parties expect that the security will be released upon the full repayment of the said facility at Completion.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Mr. Yao holds approximately 11.9% direct and 42.9% indirect interests in the issued share capital of Huge Top. 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 NAS Group at a level equal to or exceeding HK$5.0 million after completion of the Ajia Parties Subscription Agreement. Details of the Deed have been set out in the announcement of the Company dated 19th May 2005 and the circular of the Company dated 20th June 2005 in relation to the Ajia Parties Subscription Agreement.

NASA, a party to the Services Agreement, is a subsidiary of API. Mr. Cho and Mr. Savio Chow Sing Nam (both are executive Directors of the Company) each holds less than 20.0% and 10.0% equity interest in API respectively.

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

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31st March 2006, the date to which the latest published audited consolidated financial statements of the NAS Group were made up.

8. COMPETING INTERESTS

Mr. Yao is an executive Director and also the chairman and chief executive officer of VSC. According to the 2006 annual report of VSC, Huge Top held 173,424,000 shares (approximately 47.1%) in VSC as at 31st March 2006 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.9% and indirectly held approximately 42.9% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.4%) in VSC as at 31st March 2006. 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 NAS 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 NAS Group's business.

Save for aforesaid, none of the Directors, management Shareholders, substantial Shareholders and their respective associates compete or may compete with the business of the NAS Group, or have or may have any other conflicts of interest with the NAS Group pursuant to the GEM Listing Rules.

9. AUDIT COMMITTEE

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

10. CONSENT

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

11. QUALIFICATION

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

Name	Qualification
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any interest, direct or indirect, in any assets which had, since 31st March 2006 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

12. PROCEDURES FOR DEMANDING A POLL BY THE SHAREHOLDERS

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

(a) by the chairman of such meeting; or

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

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

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

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

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

13. GENERAL

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

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

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

(d) The company secretary of the Company is Ms. Lam Yee Fan. She has over 10 years of company secretarial experience in listed companies in Hong Kong. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(e) The principal share register and transfer office of the Company in Bermuda is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.

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

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

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including 31st October 2006 and at the Special General Meeting:

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

(b) the annual reports of the Company for each of the two years ended 31st March 2005 and 2006 and the quarterly report for the three months ended 30th June 2006;

(c) the accountants' reports on the Amtec Group and AIP, the texts of which are set out in Appendix II and III to this circular respectively;

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

(e) the consent letter issued by Ernst & Young referred to in the paragraph headed "Consent" in this appendix;

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

(g) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 19 and/or 20 which has been issued since the date of the latest published audited accounts of the Company; and

(h) the draft rules of the Scheme.

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8080)

NOTICE IS HEREBY GIVEN that a special general meeting of North Asia Strategic Holdings Limited (the **"Company"**) will be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Tuesday, 31st October 2006 for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. **"THAT**:

(a) the conditional sale and purchase agreement (the "**Agreement**") dated 2nd August 2006 made between Autron Corporation Limited (the "**Vendor**") as vendor, Best Creation Investments Limited ("**Best Creation**") as purchaser and the Company as guarantor for Best Creation's obligations under the Agreement, a copy of which has been produced to the meeting and marked "**A**" and initialled by the chairman of the meeting for identification purpose, in respect of the sale and purchase of:

(i) a total of 60,000,000 ordinary shares of HK$1.00 each in the issued share capital of American Tec Company Limited beneficially owned by the Vendor; and

(ii) a total of 1,570,000 ordinary shares of INR10 each in the issued share capital of Autron India Private Limited beneficially owned by the AIP Vendors (as defined in the Agreement) as at the date of completion of the Agreement,

(as supplemented and amended by a supplemental agreement dated 5th October 2006 made between the Vendor, Best Creation and the Company, a copy of which has been produced to the meeting and marked "**B**" and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereby be and are hereby approved; and

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

* *For identification purpose only*

2. **"THAT** the share option scheme (the "**Scheme**") of Best Creation Investments Limited ("**Best Creation**"), a draft of the rules of which is produced to the meeting marked "**C**" and signed by the chairman of the meeting for the identification purpose, and the adoption of the Scheme by Best Creation be and are hereby approved and that the directors of the Company be and are hereby authorised to take all such steps as may be necessary, desirable or expedient in connection with the adoption of the Scheme."

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

Hong Kong, 13th October 2006

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

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

Notes:

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

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

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

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