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

(Incorporated in Bermuda with limited liability)

（於百慕達註冊成立之有限公司）

(Stock Code 股份代號：8080)

Exploring 開拓新機 New Opportunities for a 創建未來 Brighter Future

Annual Report 年報 2007/08

* For identification purpose only 僅供識別

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

創業板乃為帶有高投資風險的公司提供一個上市的市場。尤其在創業板上市的公司毋須有過往溢利記錄，亦毋須預測未來溢利。此外，在創業板上市的公司可因其新興性質及該等公司經營業務的行業或國家而帶有風險。有意投資的人士應了解投資於該等公司的潛在風險，並應經過審慎周詳的考慮後方可作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市公司新興的性質所然，在創業板買賣的證券可能會較於聯交所主板買賣之證券承受較大的市場波動風險，同時無法保證在創業板買賣的證券會有高流通量的市場。

創業板所發佈的資料的主要方法為在聯交所為創業板所設的互聯網網頁刊登。上市公司毋須在憲報指定報章刊登付款公告披露資料。因此，有意投資的人士應注意彼等能閱覽創業板網頁，以便取得創業板上市公司的最新資料。

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Andrew Yao Cho Fai
Takeshi Kadota

Independent Non-executive Directors

Philip Ma King Huen
Kenny Tam King Ching
Edgar Kwan Chi Ping
Yu Wang Tak

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Edgar Kwan Chi Ping *(Committee Chairman)*
Kenny Tam King Ching
Savio Chow Sing Nam
Takeshi Kadota
Yu Wang Tak

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Savio Chow Sing Nam
Henry Kim Cho

COMPLIANCE OFFICER

Savio Chow Sing Nam

QUALIFIED ACCOUNTANT

Grace Luk Pui Yin

COMPANY SECRETARY

Lam Yee Fan

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
KBC Bank N.V.

AUDITOR

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

WEBSITE

www.nasholdings.com

STOCK CODE

8080

Financial Highlights

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31st March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,269,676**	559,327	359,948	859,685	1,429,443
(Loss)/profit before income tax	**(87,636)**	69,736	(16,995)	(4,497)	(25,042)
Income tax credit/(expenses)	**15,036**	(2,989)	5,007	(5,946)	(889)
(Loss)/profit after income tax but before minority interests	**(72,600)**	66,747	(11,988)	(10,443)	(25,931)
Minority interests	**10**	—	—	—	220
(Loss)/profit attributable to the equity holders of the Company	**(72,590)**	66,747	(11,988)	(10,443)	(25,711)

Note:

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31st March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	**64,606**	36,014	478	1,411	2,922
Investment properties	**2,288**	2,206	—	—	—
Leasehold land and land use rights	**19,235**	11,869	—	—	—
Intangible assets	**419,647**	432,279	6	21	43
Subscription receivables	**—**	282,211	494,135	—	—
Long-term investments	**—**	—	—	780	2,136
Available-for-sale financial assets	**3,481**	—	—	—	—
Non-current deposits	**3,307**	—	—	—	—
Deferred tax assets	**12,444**	—	—	—	4,483
Current assets	**2,125,647**	929,641	610,571	163,536	377,603
Current liabilities	**(490,462)**	(440,297)	(40,953)	(163,611)	(374,542)
Non-current liabilities	**(27,861)**	(22,583)	(14,642)	—	—
Net assets	**2,132,332**	1,231,340	1,049,595	2,137	12,645
Capital and reserves					
Share capital	**134,691**	82,718	74,790	159,659	159,638
Other reserves	**2,023,492**	1,103,559	996,489	13,818	13,904
(Accumulated losses)/ retained profits	**(27,527)**	45,063	(21,684)	(171,340)	(160,897)
Shareholders' equity	**2,130,656**	1,231,340	1,049,595	2,137	12,645
Minority interests	**1,676**	—	—	—	—
	2,132,332	1,231,340	1,049,595	2,137	12,645

Chairman's Statement

On behalf of the Board of Directors, I hereby present the audited consolidated results of North Asia Strategic Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st March 2008 ("current year"). The Group recorded a loss of approximately HK$72.6 million on revenue of approximately HK$1.3 billion in current year, compared to a profit of approximately HK$66.7 million on revenue of approximately HK$559.3 million in last year. This was mainly because the profit contributed from our fishmeal and fish oil trading and processing division was more than offset by the aggregate loss from our discontinued steel trading division, surface mount technology ("SMT") assembly equipment trading division, quick services restaurant division and our head office's overheads. Given the mixed performance of the four business divisions in current year, the Board has looked extremely closely at the business risk and success factors of each of these business divisions during the year. The Board has also urged the Company's management to take appropriate actions and measures to improve and manage the profitability of the Group. Below is a brief summary of the financial performance of each business division for the year.

Our discontinued steel trading division operated in a difficult environment in current year and it recorded a loss of approximately HK$2.2 million, compared to a loss of approximately HK$0.6 million in last year. We have ceased its operation after August 2007 and allocated more resources to other business divisions.

During the year, our SMT trading division conducted through American Tec Company Limited ("Amtec") and American Tec Electronic India Private Limited (collectively, the "Amtec Group") recorded a loss of approximately HK$37.5 million on revenue of approximately HK$841.6 million, versus a profit of approximately HK$21.1 million on revenue of approximately HK$359.4 million for a post-acquisition period of about 5 months in last year. The loss was mainly attributable to a change in customer mix in current year which resulted in a drop in gross profit margin, write-off of trade receivables of approximately HK$1.3 million and some significant non-recurring adjustments totaling approximately HK$45.8 million, including net exchange losses of approximately HK$20.9 million resulting from its failure in matching its payments for purchases against its sale receipts in Japanese Yen ("Yen") in the first 9 months of current year, write-down of old inventories by approximately HK$22.4 million and a loss on disposal of old demo machines totaling approximately HK$2.5 million. In view of the large exchange loss in current year, Amtec has taken corrective action since early 2008 to match a much higher portion of its sales receipts against its payments for purchases in Yen to minimise its exchange rate exposure. We have also urged management to speed up the sale of the old inventories, on which significant write-down had been made as reported above.

For our 40% jointly controlled fishmeal and fish oil trading and processing division conducted through Coland Group Limited ("Coland"), the Group shared attributable revenue and profit of approximately HK$418.5 million and HK$4.2 million respectively in current year, versus revenue and profit of approximately HK$101.5 million and HK$4.4 million respectively for a post-acquisition period of approximately 4 months in last year. The core fishmeal trading business was adversely affected by the unexpected weather pattern and epidemic diseases in pigs in China in current year. As a result, an excess inventory built up caused drastic drop in fishmeal's market price and Coland's gross profit margin in current year as compared to last year.

Our quick services restaurant division which was set up in mid-March 2007, opened its first Burger King restaurant in Tsim Sha Tsui, a renowned tourist spot in Hong Kong, on 20th December 2007. During the year, this division recorded a loss of approximately HK$8.1 million on revenue of approximately HK$5.0 million, versus a loss of approximately HK$0.1 million on revenue in last year. The first restaurant had operation for approximately 3 months in current year and its gross profit was more than offset by the division's operating expenses, resulting in a loss for the year.

On 31st December 2007, the Company successfully completed a second placement of non-redeemable convertible preference shares to 17 institutional and professional investors (the "Second Round Placement") for a total of approximately HK$992.7 million before expenses. This Second Round Placement raised additional financial resources for the Group which strengthens its financial capability to pursue new investment opportunities and the capital basis of the Group.

OUTLOOK

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

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

For our quick services restaurant division, we intend to open at least five more restaurants, primarily in the business districts, shopping areas and tourists spots in Hong Kong shortly. We will continue to monitor the operation of this division closely to achieve profitability at restaurant level in the next fiscal year.

OUTLOOK *(continued)*

As disclosed in our circular dated 13th June 2008, we have entered into an agreement with TK Chemical Holdings Co., Ltd. and SMT Chemical Co., Ltd., both joint stock corporation established in Korea, on 30th April 2008 to acquire 33.74% equity interest in the issued share capital of TK Chemical Co., Ltd. ("TKC") for a total cash consideration of KRW50.0 billion (approximately HK$390.0 million), subject to the fulfillment of certain conditions, contemplated under the said agreement. TKC is principally engaged in the business of manufacturing of polyester fiber, PET resin and spandex, which are materials widely used in the textile and bottle manufacturing industries. This investment is pending for our shareholders' approval on 30th June 2008. With TKC's established presence in the market, strong international customer network and the expertise in place, the Board is confident that this investment will further diversify the business of the Group and enhance its earning base. We will continue to seek new sizable investment opportunities in the acquisition of strategic, possible controlling, stakes in profitable companies in North Asia with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses, where our competencies can deliver greater value to our shareholders.

APPRECIATION

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

Göran Sture Malm
Chairman

Hong Kong, 19th June 2008

FINANCE AND BUSINESS PERFORMANCE

For the year ended 31st March 2008, North Asia Strategic Holdings Limited (the "Company" or "NAS") and its subsidiaries (collectively the "Group" or "NAS Group") recorded a consolidated revenue of approximately HK$1,269,676,000, representing a 127.0% increase from that in last year. The significant increase in revenue was mainly due to the full year effect of the consolidation of the operating results of American Tec Company Limited ("Amtec") and American Tec Electronic India Private Limited (collectively, the "Amtec Group") and Coland Group Limited ("Coland") in current year. The profit/loss figures of each business division disclosed below do not include any intra-group charges, as they are eliminated upon consolidation.

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

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

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

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

FINANCE AND BUSINESS PERFORMANCE *(continued)*

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITION AND DISPOSALS OF INVESTMENTS AND SUBSIDIARIES

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

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

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

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Göran Sture Malm, Chairman

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

Henry Kim Cho, Deputy Chairman

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

Savio Chow Sing Nam, Chief Executive Officer

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

NON-EXECUTIVE DIRECTORS

Andrew Yao Cho Fai

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

Takeshi Kadota

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Philip Ma King Huen

Mr. Philip Ma King Huen, aged 51, joined the Company in March 2000. Mr. Ma is the group managing director of The Sincere Company, Limited, a listed company on the Main Board of the Stock Exchange. Mr. Ma was the chairman of the Hong Kong Retail Management Association from 1996 to 2000 and is very active in the community service. He holds a Master degree in Business Administration from McMaster University in Canada. Mr. Ma is a member of the audit committee and nomination committee of the Company.

Kenny Tam King Ching

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

Edgar Kwan Chi Ping

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

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Yu Wang Tak

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

SENIOR MANAGEMENT

Tsui Kin Kau, Chief Operating Officer

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

Grace Luk Pui Yin, Chief Financial Officer

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions set out in the Code throughout the year ended 31st March 2008, except that the chairman of the independent board committee was not available to attend the general meeting of the Company held on 14th December 2007 owing to other engagement, however, the financial adviser and independent financial adviser were available at the meeting to answer questions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.68 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard throughout the year ended 31st March 2008.

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

Having made specific enquiry of all Directors of the Company, all Directors confirmed that they had complied with the Required Standard during the year ended 31st March 2008.

BOARD OF DIRECTORS

Roles and responsibilities

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

The Board formulates overall Company strategy. Given the diversity and volume of the Company's business, responsibility for execution and daily operations is delegated to management.

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

BOARD OF DIRECTORS *(continued)*

Composition

The Board currently comprises nine Directors: three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors that are more than one-third of the Board. Biographical details of the Directors are set out in the section of "Profiles of Directors and Senior Management" on pages 11 to 14.

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

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

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

According to the Bye-laws of the Company, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Independence

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

Board Meetings

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

BOARD OF DIRECTORS *(continued)*

Frequency of Meetings and Attendance

Five full Board meetings were held during the year with an average attendance rate of 71%. The attendance of each Director at board meetings is set out below:

Board Members	Number of Meetings Attended/Held
Executive Directors	
Göran Sture Malm *(Chairman)*	4/5
Henry Kim Cho *(Deputy Chairman)*	2/5
Savio Chow Sing Nam *(Chief Executive Officer)*	5/5
Non-executive Directors	
Andrew Yao Cho Fai	3/5
Takeshi Kadota *(appointed on 15th September 2007)*	2/2
Independent Non-executive Directors	
Philip Ma King Huen	3/5
Kenny Tam King Ching	4/5
Edgar Kwan Chi Ping	3/5
Yu Wang Tak *(appointed on 1st November 2007)*	2/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors had signed letters of appointment with the Company to confirm the term of their appointments for three years.

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

REMUNERATION COMMITTEE

The remuneration committee was re-structured with its term of reference adopted on 30th September 2005. The committee comprises five members, a majority of whom are Independent Non-executive Directors, and is chaired by Mr. Edgar Kwan Chi Ping. The remuneration committee has delegated responsibility to determine the remuneration packages of the Executive Directors and senior management and make recommendation to the Board of the remuneration of the Non-executive Directors. During the year, the committee has reviewed the remuneration of the Directors and senior management and made recommendation to the Board. Two meetings were held for the year ended 31st March 2008. Attendance of the members is set out below:

Remuneration Committee Members	**Number of Meetings Attended/Held**
Edgar Kwan Chi Ping *(Committee Chairman)*	2/2
Kenny Tam King Ching	2/2
Savio Chow Sing Nam	2/2
Takeshi Kadota *(since 13th November 2007)*	1/1
Yu Wang Tak *(since 13th November 2007)*	1/1
Philip Ma King Huen *(until 13th November 2007)*	1/1

During the year ended 31st March 2008, total Directors' remuneration amounted to HK$5,323,000 (2007: HK$4,701,000).

Remuneration of the Executive Directors is prudently designed to attract, motivate and retain them to formulate strategies and to oversee operational matters of the Group and to reward them for enhancing value to the shareholders.

Details of the remuneration of the Directors are set out in note 8 to the accompanying financial statements.

NOMINATION COMMITTEE

The nomination committee was established on 30th September 2005 with its term of reference adopted on 14th November 2005. The committee comprises three members, a majority of whom are Independent Non-executive Directors, and is chaired by Mr. Philip Ma King Huen. The nomination committee is responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition and the management of board succession with reference to certain guidelines including appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. During the year, the committee has reviewed the board composition and made recommendation to the Board. A meeting was held during the year ended 31st March 2008. Attendance of the members is set out below:

Nomination Committee Members	**Number of Meetings Attended/Held**
Philip Ma King Huen *(Committee Chairman)*	1/1
Kenny Tam King Ching	1/1
Göran Sture Malm	1/1

AUDITOR'S REMUNERATION

The Company reviews the appointment of external auditor on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee payable to the Company's external auditor for the audit amounted to HK$2,310,000 and fee for non-audit related activities amounted to HK$1,053,000.

AUDIT COMMITTEE

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

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

AUDIT COMMITTEE *(continued)*

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

During the year, the audit committee has approved the nature and scope of the statutory audits, and reviewed the quarterly, interim and annual financial statements of the Group, and was content that the accounting policies and standards of the Group are in accordance with the current best practices in Hong Kong. Four meetings were held during the year and the attendance at meetings is set out below:

Audit Committee Members	**Number of Meetings Attended/Held**
Kenny Tam King Ching *(Committee Chairman)*	4/4
Philip Ma King Huen	2/4
Edgar Kwan Chi Ping	4/4
Yu Wang Tak *(since 13th November 2007)*	1/1

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system to safeguard the Company's assets and shareholders' interest. The internal control system is designed to reduce, but not eliminate, risks of failure in operational systems. The system helps to provide reasonable, but not absolute, assurance against material misstatement or loss. The system aims to support the achievement of the Group's business objectives.

The system comprises a well-defined organizational structure with clearly defined lines of responsibility and authority to ensure effectiveness & efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Board conducts regularly reviews of the effectiveness of the internal control system of the Group through reviews performed by audit committee, executive management and external auditor.

During the year, the Group has set up an internal control department in July 2007 to assist the Board to maintain sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The internal control department also subcontracted part of the internal audit review works on two operating subsidiaries in Tianjin and Singapore to two independent consultants, RSM Nelson Wheeler Consulting Limited and Stone Forest Consulting Pte Ltd (collectively, "NW"), both members of RSM International. NW conducted a review of the effectiveness of the internal control system and procedures of these two operating subsidiaries, covering all material controls, including financial, operational, compliance and risk management.

INTERNAL CONTROLS *(continued)*

During the year, the audit committee reviewed the effectiveness of the system of the internal control through the following processes:

- discussions with the executive management on areas of risk identified
- review of risks reported by the internal audit department and NW
- review of the external audit plans
- review of issues reported by external auditor
- review of the reports from the internal audit department, NW and the executive management to ensure appropriate controls are in place and any deficiencies or irregularities, if any, are rectified

Based on the result of the review for the year ended 31st March 2008, the Board considered that the internal control system and procedures of the Group are adequate and effective and have complied with the provisions of the Code during the year.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

The respective chairman of the Board and the audit committee and external auditor attended the annual general meeting of the Company held on 5th September 2007 to answer questions from shareholders. The financial advisers were available to answer questions at the special general meeting of the Company held on 14th December 2007.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 43 and 44 of this annual report.

CONCLUSION

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

Report of the Directors

The board of Directors (the "Board") have the pleasure of presenting their annual report together with the audited financial statements of North Asia Strategic Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31st March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) trading of surface mount technology ("SMT") assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services; and (ii) developing and operating Buger King restaurants in Hong Kong and Macau. Its jointly controlled entity is principally engaged in the processing and sale of fishmeal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds.

SEGMENT INFORMATION

An analysis of the Group's turnover, revenue and segment results by business segment and geographical segment for the year ended 31st March 2008 is set out in note 5 to the accompanying financial statements.

RESULTS

Details of the Group's results for the year ended 31st March 2008 are set out in the consolidated income statement on page 45 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31st March 2008.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 27 to the accompanying financial statements. As at 31st March 2008, the Company did not have any distributable reserves (2007: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 and 4 of this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 18 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the accompanying financial statements.

BANK BORROWINGS

Particulars of bank borrowings as at 31st March 2008 are set out in note 28 to the accompanying financial statements.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year.

PROVIDENT FUND SCHEMES

Details of the provident fund schemes are set out in note 8 to the accompanying financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Andrew Yao Cho Fai *(re-designated from Executive Director to Non-executive Director on 19th June 2008)*
Takeshi Kadota *(appointed on 15th September 2007)*

Independent Non-executive Directors

Philip Ma King Huen
Kenny Tam King Ching
Edgar Kwan Chi Ping
Yu Wang Tak *(appointed on 1st November 2007)*

In accordance with Bye-law 87 of the Company's Bye-laws, Messrs. Göran Sture Malm, Henry Kim Cho and Savio Chow Sing Nam will retire by rotation at the forthcoming annual general meeting. Mr. Henry Kim Cho has decided not to stand for re-election. The other retiring Directors, being eligible, offer themselves for re-election.

DIRECTORS *(continued)*

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 11 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

The term of office of each of the Directors of the Company is for a period of three years. All of them are subject to retirement by rotation and re-election at annual general meeting pursuant to the Company's Bye-laws.

Details of the Directors' emoluments are set out in note 8 to the accompanying financial statements.

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

As at 31st March 2008, the Directors and chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors:

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

(a) The underlying shares referred to in note 2 arise as a result of the conversion rights attaching to the preference shares issued by the Company under the placement as disclosed in the circulars to shareholders dated 24th January 2006 and 17th August 2006. The preference shares shall be automatically converted into ordinary shares, credited as fully paid, at the conversion ratio of one preference share for one ordinary share in accordance with the terms of the preference shares.

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

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

(b) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares (each the "share" or "ordinary share") in issue as at 31st March 2008, not on the total number of issued shares upon full conversion of the preference shares and the convertible bonds (the "Convertible Bonds") as set out in the circular to shareholders dated 20th June 2005.

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

Notes:

1. These interests represented:

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

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

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

2. These underlying shares were held by Timeless 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 23 under section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below.

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

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

Save as disclosed above, as at 31st March 2008, none of the Directors and the chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the 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.

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

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

As at 31st March 2008, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital:

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

(c) The underlying shares referred to in the following table (other than those referred to in notes 1 and 4 below) arise as a result of the conversion rights attaching to the preference shares issued by the Company under the placement as disclosed in the circulars dated 24th January 2006, 17th August 2007 and 23rd November 2007. The preference shares shall be automatically converted into ordinary share, credited as fully paid, at the conversion ratio of one preference share for one ordinary share in accordance with the terms of the preference shares. Those underlying shares referred in notes 1 and 4 below arise as a result of the conversion of the Convertible Bonds.

(d) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares in issue as at 31st March 2008, not on the total number of issued shares upon full conversion of the preference shares and the Convertible Bonds.

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

Substantial Shareholders (interests related to ordinary shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings[d]	*Note*
Mr. Moses Tsang Kwok Tai ("Mr. Tsang")	Beneficial owner	19,693,486	39,386,973	59,080,459	61.68%	*1*
	Interest of controlled corporation	509,400	—	509,400	0.53%	*2*
	Interest of a discretionary trust	—	148,659,004	148,659,004	155.18%	*3*
				208,248,863	217.39%	
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	245,039,565	289,203,039	301.90%	*4, 5, 24 & 30*
Ajia Partners Inc. ("API")	Interest of controlled corporation	44,163,474	245,039,565	289,203,039	301.90%	*4 to 6, 24 & 30*

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

Substantial shareholders (interest related to preference shareholders)

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

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

Substantial shareholders (interest related to preference shareholders) *(continued)*

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
Grand Loyal (China) Limited ("Grand Loyal")	Nominee	—	247,765,006	247,765,006	258.64%	*11*
Mr. Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	*11*
Grand Partners Group Limited ("Grand Partners")	Nominee	—	247,765,006	247,765,006	258.64%	*12*
Mr. William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	*12*
Mozart Verwaltungsgesellschaft mbH ("Mozart")	Beneficial owner	—	204,188,482	204,188,482	213.15%	*13*
Dr. Thomas Helmut Jetter	Interest of controlled corporation	—	204,188,482	204,188,482	213.15%	*13*
Bankpension	Beneficial owner	—	204,188,482	204,188,482	213.15%	
Fubon Bank (Hong Kong) Limited	Beneficial owner	—	199,233,717	199,233,717	207.98%	
Chevalier International Holdings Limited ("Chevalier")	Beneficial owner	—	198,212,005	198,212,005	206.91%	*14*
Mr. Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	*14*

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

Substantial shareholders (interest related to preference shareholders) *(continued)*

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
Ms. Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	*14*
K.B. (C.I.) Nominees Limited ("KBCI")	Beneficial owner	—	182,524,084	182,524,084	190.54%	*15*
Frank Nominees Limited ("Frank")	Beneficial owner	—	104,495,497	104,495,497	109.08%	*16*
Kleinwort Benson ("KB")	Interest of controlled corporation	—	287,019,581	287,019,581	299.62%	*15 & 16*
Asia Internet Capital Ventures LP ("AICV")	Beneficial owner	—	148,659,004	148,659,004	155.18%	*17*
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*17*
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	*17*
Gentfull Investment Limited ("Gentfull")	Beneficial owner	—	148,659,004	148,659,004	155.18%	*18*

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

Substantial shareholders (interest related to preference shareholders) *(continued)*

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings[(d)]	*Note*
Ms. Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*18*
Doutdes S.P.A. ("Doutdes")	Beneficial owner	—	148,659,004	148,659,004	155.18%	*19*
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*19*
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	*19*
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	*20*
Mr. Giorgio Girondi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	*19 & 20*
UBS España, S.A. ("UBS")	Nominee	—	128,441,377	128,441,377	134.08%	*21*
Ms. Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*21*
Mr. Jorge Garcia González	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	*21*
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	*21*
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	*21*
Duserali, S.L.	Beneficial owner	—	14,865,900	14,865,900	15.52%	*21*
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	*21*

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

Substantial shareholders (interest related to preference shareholders) *(continued)*

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings[d]	*Note*
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	*21*
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	*21*
Mr. Miguel Orúe-Echeverria	Beneficial owner	—	9,910,600	9,910,600	10.35%	*21*
ALCO Beteiligungsgesellschaft mbH ("ALCO")	Beneficial owner	—	122,513,089	122,513,089	127.89%	*22*
Albert Büll Kommanditgesellschaft ("ABK")	Interest of controlled corporation	—	122,513,089	122,513,089	127.89%	*22*
Mr. Albert Henri Karl Büll	Interest of controlled corporation	—	122,513,089	122,513,089	127.89%	*22*
Wittelsbacher Ausgleichsfonds	Beneficial owner	—	122,513,089	122,513,089	127.89%	
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	*23*
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	*23*
North Asia Strategic Acquisition Corp. 2 ("NASAC 2")	Beneficial owner	—	98,502,618	98,502,618	102.83%	*24*
KKR Group Investments II LLC ("KKR")	Beneficial owner	—	89,080,460	89,080,460	92.99%	*25*

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

Substantial shareholders (interest related to preference shareholders) *(continued)*

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings[d]	*Note*
Mr. George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	*25*
Mr. Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	*25*
GAUD Holding B.V. ("GAUD")	Beneficial owner	—	81,675,393	81,675,393	85.26%	*26*
Ms. Dorothée Emma Margaretta Goldschmeding	Interest of controlled corporation	—	81,675,393	81,675,393	85.26%	*26*
Ms. Sabine Marie Antoinette Goldschmeding	Interest of controlled corporation	—	81,675,393	81,675,393	85.26%	*26*
Ms. Anna Petra Elisabeth Goldschmeding	Interest of controlled corporation	—	81,675,393	81,675,393	85.26%	*26*
Mr. Frederik Harold Fentener van Vlissingen	Beneficial owner	—	78,544,061	78,544,061	81.99%	
Jajebi Holding B.V. ("Jajebi")	Beneficial owner	—	68,062,822	68,062,822	71.05%	*27*
Mr. Jan van Seumeren	Interest of controlled corporation	—	68,062,822	68,062,822	71.05%	*27*
Latoer Holding B.V. ("Latoer")	Beneficial owner	—	68,062,822	68,062,822	71.05%	*28*

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

Substantial shareholders (interest related to preference shareholders) *(continued)*

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

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

Other persons (interests related to preference shareholders)

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

Notes:

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

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

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

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

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

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

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

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

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

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

Notes: (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

23. These underlying shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless. These underlying shares are the same underlying shares referred to in note 2 under "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.

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

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

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

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

Notes: (continued)

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

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

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

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

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

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

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 31st March 2008.

SHARE OPTION SCHEMES

On 10th June 2002, the shareholders approved the adoption of a share option scheme (the “2002 Scheme”). Under the terms of the 2002 Scheme, the Board may at its discretion offer share options to any employee, agent, consultant or representative, including any Executive or Non-executive Director, of any member of the Group or any other person who satisfies the selection criteria as set out in the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The 2002 Scheme shall be valid and effective for a period of ten years commencing on the adoption date. As at 31st March 2008, no share options have been granted by the Company pursuant to the 2002 Scheme.

On 31st October 2006, the Company approved a share option scheme (the “Best Creation Scheme”) adopted by Best Creation Investments Limited (“Best Creation”), a wholly-owned subsidiary of the Company, allowing its board of directors to grant options to subscribe for shares in Best Creation to the selected participants under such scheme as incentives or rewards for their contribution to the Best Creation group. The Best Creation Scheme has a life of ten years commencing on the adoption date of 31st October 2006. As at 31st March 2008, no share options have been granted pursuant to the Best Creation Scheme.

CONNECTED TRANSACTIONS

Significant related party transactions undertaken in normal course of business are provided in note 39 to the accompanying financial statements. Certain related party transactions also constituted as connected transactions under the GEM Listing Rules. The following connected transactions (as defined under the GEM Listing Rules) of the Group have been entered into and/or ongoing during the year ended 31st March 2008 for which relevant announcements, if necessary, had been made by the Company pursuant to the GEM Listing Rules.

Connected Transactions

The following transactions had been approved by the shareholders of the Company on 20th February 2006 and the details of the transactions had been disclosed in the circular of the Company dated 23rd November 2007 (the "2007 Circular"):

1. Subscription Agreements with NASAC 2 & NASAC 3

The Company entered into two subscription agreements (the "NASAC 2 Agreement" and "NASAC 3 Agreement") dated 18th October 2007 with NASAC 2 and NASAC 3 in relation to the subscription by NASAC 2 and NASAC 3 of 98,502,618 and 58,210,000 preference shares respectively under the Second Round Placement (as defined in the 2007 Circular) at HK$0.191 per share with aggregate subscription price of HK$18,814,000 and HK$11,118,110 respectively. The completion of the NASAC 2 Agreement and NASAC 3 Agreement was taken place on 21st December 2007.

Mr. Göran Sture Malm and Mr. Savio Chow Sing Nam, Directors of the Company, are beneficially interested in 82.9% and 4.2% of the ordinary non-voting share capital of NASAC 2. NASA controls 100% of the ordinary voting share capital of both NASAC 2 and NASAC 3. NASA is a subsidiary of API while Mr. Tsang, Mr. Savio Chow Sing Nam and their respective associates in aggregate hold controlling interest in API but none of the shareholders of API hold or control more than 30% of the equity interest in API.

2. Waiver Agreement

The Company entered into a waiver agreement dated 14th December 2007 with NASAC and Mr. Tsang whereas NASAC and Mr. Tsang, the holders of the Convertible Bonds, and the Company have agreed to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Second Round Placement, including any subsequent conversion of the preference shares into ordinary shares of the Company. NASAC and Mr. Tsang are substantial shareholders of the Company.

CONNECTED TRANSACTIONS *(continued)*

Continuing Connected Transactions

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

Details of the Services Agreement are set out in the circular dated 24th January 2006. NASA is the holding company of NASAC which is a substantial shareholder of the Company.

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

In accordance with rule 20.38 of the GEM Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings based on the agreed upon procedures to the Board of Directors.

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in note 39 to the accompanying financial statements.

DIRECTORS' INTEREST IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

Mr. Yao, a Non-executive Director of the Company, is the chairman and chief executive officer of VSC. According to the interim report 2007/08 of VSC, Huge Top held 173,424,000 shares (approximately 45.91%) in VSC as at 30th September 2007 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.91% and indirectly held approximately 42.86% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.43%) in VSC as at 30th September 2007. VSC is also engaged in steel trading business. The Group has ceased its steel trading operation after August 2007 and has no business that may compete with that of VSC.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2008, the five largest customers of the Group accounted for approximately 13.4% of the Group's total turnover while the five largest suppliers of the Group accounted for approximately 68.7% of the Group's total purchases. The largest customer of the Group accounted for approximately 4.1% of the Group's total turnover while the largest supplier of the Group accounted for approximately 53.6% of the Group's total purchases.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31st March 2008.

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Details of subsequent events are set out in note 40 to the accompanying financial statements.

INFORMATION OF COMPLIANCE OFFICER, QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

The compliance officer of the Company is Mr. Savio Chow Sing Nam. Mr. Chow is the Executive Director and Chief Executive Officer of the Company. Biographical details of Mr. Chow is set out on page 11 of this annual report.

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

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 15 to 22 of this annual report.

AUDITOR

The financial statements for the year ended 31st March 2008 have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

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

Hong Kong, 19th June 2008

羅兵咸永道會計師事務所

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
NORTH ASIA STRATEGIC HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of North Asia Strategic Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 124, which comprise the consolidated and company balance sheets as at 31st March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th June 2008

Consolidated Income Statement

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

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

Balance Sheets

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

As at 31st March

	Note	As at 31st March Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
LIABILITIES					
Current liabilities					
Borrowings	*28*	**182,836**	159,461	**—**	—
Trade and other payables	*29*	**300,776**	230,872	**1,155**	1,325
Amounts due to subsidiaries	*39*	**—**	—	**4,437**	4,441
Derivative financial instruments	*30*	**310**	—	**—**	—
Current income tax liabilities		**6,540**	17,288	**—**	—
Deferred subscription payable	*31*	**—**	32,676	**—**	—
		490,462	440,297	**5,592**	5,766
Non-current liabilities					
Borrowings	*28*	**10,338**	4,538	**—**	—
Convertible bonds	*32*	**16,990**	15,712	**16,990**	15,712
Deferred tax liabilities	*33*	**11**	2,333	**—**	—
Other non-current liabilities	*34*	**522**	—	**—**	—
		27,861	22,583	**16,990**	15,712
Total liabilities		**518,323**	462,880	**22,582**	21,478
Total equity and liabilities		**2,650,655**	1,694,220	**2,209,684**	1,238,259
Net current assets		**1,635,185**	489,344	**1,522,218**	360,847
Total assets less current liabilities		**2,160,193**	1,253,923	**2,204,092**	1,232,493

Approved by the Board of Directors on 19th June 2008.

Göran Sture Malm
Chairman and Executive Director

Savio Chow Sing Nam
Executive Director and Chief Executive Officer

The notes to the financial statements are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

		For the year ended 31st March 2008				
		Attributable to equity holders of the Company			Minority interests	
		Share capital	Reserves	Sub-total		Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1st April 2006		74,790	974,805	1,049,595	—	1,049,595
Translation adjustments — net income recognised directly in equity		—	1,540	1,540	—	1,540
Profit for the year		—	66,747	66,747	—	66,747
Total recognised income for the year		—	68,287	68,287	—	68,287
Issue of preference shares	*26, 27*	7,928	106,271	114,199	—	114,199
Share issue expenses — preference shares	*27*	—	(741)	(741)	—	(741)
Balances at 31st March 2007 and 1st April 2007		**82,718**	**1,148,622**	**1,231,340**	**—**	**1,231,340**
Translation adjustments — net income recognised directly in equity		**—**	**11,128**	**11,128**	**—**	**11,128**
Decrease in fair value of available-for-sale financial assets		**—**	**(193)**	**(193)**	**—**	**(193)**
Loss for the year		**—**	**(72,590)**	**(72,590)**	**(10)**	**(72,600)**
Total recognised loss for the year		**—**	**(61,655)**	**(61,655)**	**(10)**	**(61,665)**
Issue of preference shares	*26, 27*	**51,973**	**914,968**	**966,941**	**—**	**966,941**
Share issue expenses — preference shares	*27*	**—**	**(5,970)**	**(5,970)**	**—**	**(5,970)**
Capital contribution from minority interests		**—**	**—**	**—**	**1,686**	**1,686**
Balances at 31st March 2008		**134,691**	**1,995,965**	**2,130,656**	**1,676**	**2,132,332**

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

Consolidated Cash Flow Statement

	Note	For the year ended 31st March 2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	35	**(87,292)**	(11,782)
Interest paid		**(17,430)**	(4,982)
Hong Kong profits tax paid		**(8,827)**	—
Mainland China enterprise income tax paid		**(2,478)**	(922)
Overseas income tax paid		**(134)**	—
Net cash used in operating activities		**(116,161)**	(17,686)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**—**	(462,284)
Increase in investment in jointly controlled entity, net of cash acquired		**—**	(85,475)
Additions of property, plant and equipment		**(13,572)**	(2,652)
Additions of leasehold land and land use rights		**(7,253)**	—
Additions of intangible assets		**(2,150)**	—
Proceeds from disposal of property, plant and equipment		**1,809**	4,729
Investment in available-for-sales financial assets		**(3,057)**	—
Interest received		**15,461**	16,328
Decrease/(increase) in pledged bank deposits		**1,509**	(14,887)
Net cash used in investing activities		**(7,253)**	(544,241)
Cash flows from financing activities			
Issue of preference shares		**330,891**	93,120
Receipt of subscription receivables		**—**	578,102
Share issue expenses		**(5,970)**	(741)
(Settlement)/issue of subscription payables to/by a jointly controlled entity		**(34,000)**	32,676
Capital contribution from minority interests		**1,686**	—
New bank loans		**176,873**	322,676
Repayment of bank loans		**(161,516)**	(315,200)
Net cash generated form financing activities		**307,964**	710,633
Increase in cash and cash equivalents		**184,550**	148,706
Cash and cash equivalents at the beginning of the year		**441,553**	292,847
Cash and cash equivalent at the end of the year	25	**626,103**	441,553

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

1. GENERAL INFORMATION

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

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

During the year, the Group ceased trading of steel products and provision for procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services). Details of the discontinued operation are set out in note 11 to the financial statements.

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 ordinary shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in thousand of Hong Kong dollar, unless otherwise stated.

These financial statements have been approved for issue by the Company's Board of Directors on 19th June 2008.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The preparation of 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

(a) Standards, amendments and interpretations to published standards effective in the year ended 31st March 2008 and are relevant to the Group's operations

The following standards and interpretations are mandatory for accounting periods beginning on or after 1st April 2007 and are relevant to the Group's operations:

- HKFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1 "Presentation of Financial Statements — Capital Disclosures" introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments but there have been some additional disclosures as set out in notes 3.1, 3.2 and 24(a) to the financial statements.

- HK(IFRIC) 8 "Scope of HKFRS 2" requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

- HK(IFRIC) Int 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

- HK(IFRIC) Int 11 "HKFRS 2 — Group and Treasury Share Transactions" provides guidance on whether share-based transactions involving treasury shares or involving entities within the Group (for example, options over a holding company's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone financial statements of the holding companies and other entities within the Group. This interpretation does not have an impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards, amendments and interpretations effective in the year ended 31st March 2008 but not relevant

The following standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1st April 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) Int 7 "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies"

- HK(IFRIC) Int 9 "Re-assessment of Embedded Derivatives"

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods but are not relevant for the Group's operations:

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

2.2 Basis of consolidation

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

(a) Subsidiaries

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

(a) ***Subsidiaries*** *(continued)*

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

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

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

(b) ***Jointly controlled entities***

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

(c) ***Transactions with minority interests***

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 presentation currency.

(b) *Transactions and balances*

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group's entities

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

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

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

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

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

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

2.5 Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

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

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

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

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

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

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

2.6 Investment properties

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Leasehold land and land use rights

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

2.8 Intangible assets

(a) Goodwill

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

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

(b) Other intangible assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of investments in subsidiaries and non-financial assets

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

2.10 Inventories

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

2.11 Trade and other receivables

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

2.12 Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Available-for-sale financial assets *(continued)*

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

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

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

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

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

2.13 Derivative financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Cash and cash equivalents

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

2.15 Share capital

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

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

2.16 Trade and other payables

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

2.17 Borrowings

(a) Borrowings other than convertible bonds

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

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

(b) Convertible bonds

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

2.18 Current and deferred income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.19 Employee benefits

(a) Employee leave entitlement

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

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

(b) Pension obligations

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

(c) Bonus plans

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Provisions

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

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

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

2.21 Revenue recognition

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

(a) Sales revenue

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

(b) Commission, service and management fee income

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

(c) Interest income

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

(d) Rental income

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Operating leases (as the lessee)

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

2.23 Operating leases (as the lessor)

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

2.24 Finance leases (as the lessor)

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

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

2.25 Finance leases (as the lessee)

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

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

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

2.26 Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Financial guarantees

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

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

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

At 31st March 2008, if Japanese Yen had weakened/strengthened by 20% against the Hong Kong dollar with all other variables held constant, loss for the year would have been HK$24,415,000 (2007: HK$18,496,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated trade payables. Equity would have been HK$696,000 (2007: Nil) lower/higher, arising mainly from foreign exchange losses/gains on translation of Japanese Yen denominated equity securities classified as available-for-sale.

(ii) Price risk

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

The available-for-sale financial assets are mainly listed equity instruments in Japan and if the fair value of these equity instruments increased or decreased by 5%, the Group's equity would have been increase or decreased by approximately HK$174,000 (2007: Nil).

(iii) Cash flow and fair value interest rate risk

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

The cash equivalents and pledged band deposits are interest bearing at floating rate and expose the Group to the cash flow interest rate risk. The subscription receivables are interest-bearing at fixed interest rate and expose the Group to the fair value interest rate risk.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(iii) Cash flow and fair value interest rate risk (continued)

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

At 31st March 2008, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, loss for the year would have been HK$1,310,000 (2007: HK$1,390,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) ***Credit risk***

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

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

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances and subscription receivables is considered by the Group to be minimal as such amounts are generally placed with banks with good ratings or due by international recognised financial institutions. As at 31st March 2008, short-term bank deposits of HK$458,000,000 (2007: HK$236,166,000) was made to a bank with credit rating of no less than A.

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk*

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT *(continued)*

4.2 Goodwill impairment assessment

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

4.3 Net realisable value of inventories

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

4.4 Estimated recoverability of trade and other receivables

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

4.5 Income taxes

The Group is subject to income taxes mainly in Hong Kong and the Mainland China. Significant judgment is required in determining the amount of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

5.1 Turnover and revenue

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

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

5.2 Segment information

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

Segment liabilities comprise primarily of trade and other payables and other non-current liabilities. Unallocated liabilities comprise current income tax liabilities, borrowings and convertible bonds.

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

Primary reporting format — business segments

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

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

5.2 Segment information *(continued)*

Primary reporting format — business segments *(continued)*

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

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

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

5.2 Segment information *(continued)*

Primary reporting format — business segments *(continued)*

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

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

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

5.2 Segment information *(continued)*

Primary reporting format — business segments *(continued)*

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

	SMT trading HK$'000	Fishmeal and fish oil HK$'000	Burger King restaurant operations HK$'000	Investment holding HK$'000	Total HK$'000
As at 31st March 2008					
Assets					
Segment assets	**676,697**	**333,839**	**11,919**	**940,917**	**1,963,372**
Unallocated assets					**687,283**
					2,650,655
Liabilities					
Segment liabilities	**176,414**	**120,310**	**3,459**	**1,344**	**301,527**
Unallocated liabilities					**216,796**
					518,323
As at 31st March 2007					
Assets					
Segment assets	652,897	286,418	—	286,983	1,226,298
Unallocated assets					467,922
					1,694,220
Liabilities					
Segment liabilities	154,286	74,674	—	56,489	285,449
Unallocated liabilities					177,431
					462,880

There are no significant sales between these business segments during the year (2007: Nil).

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

5.2 Segment information *(continued)*

Secondary reporting format — geographical segments

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

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

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

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

5.2 Segment information *(continued)*

Secondary reporting format — geographical segments *(continued)*

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

There are no significant sales between these geographical segments (2007: Nil).

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

5.2 Segment information *(continued)*

Secondary reporting format — geographical segments *(continued)*

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

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

6. OTHER GAINS — NET

	2008 **HK$'000**	2007 *HK$'000*
Continuing operations		
Net exchange gains	**1,149**	4,597
Losses on disposal of property, plant and equipment	**(613)**	—
Others	**1,993**	915
	2,529	5,512
Discontinued operations		
Others	**32**	164
	2,561	5,676

7. EXPENSES BY NATURE

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

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

8. EMPLOYMENT COSTS

	2008 HK$'000	2007 HK$'000
Salaries, wages and allowances	**58,451**	23,216
Retirement benefits — defined contribution scheme	**1,710**	343
	60,161	23,559

8. EMPLOYMENT COSTS *(continued)*

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

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

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

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

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

(i) Appointed on 15th September 2007
(ii) Appointed on 1st November 2007

8. EMPLOYMENT COSTS *(continued)*

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

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including 2 (2007: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2007: 2) individuals during the year are as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Basic salaries and allowances	**4,947**	2,100
Bonuses	**542**	77
Employer's contributions to retirement scheme	**187**	77
	5,676	2,254

The emoluments fell within the following bands:

Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**2**	2
HK$2,500,001 to HK$3,000,000	**1**	—
	3	2

9. FINANCIAL INCOME AND COSTS

	2008 HK$'000	2007 HK$'000
Continuing operations:		
Finance income:		
Interest income from bank deposits	**15,358**	13,757
Interest income from an overdue trade receivables	**—**	2,411
Amortised interest income from subscription receivables *(note 21)*	**22,168**	73,693
	37,526	89,861
Discontinued operations:		
Interest income from bank deposits	**120**	160
	37,646	90,021
Continuing operations:		
Finance costs:		
Interest expense		
Interest on bank loans wholly repayable within five years	**16,717**	4,772
Net foreign exchange losses	**7,015**	—
Convertible bonds redeemable after five years *(note 32)*	**1,278**	1,070
Notional interest expense		
— fair valuation of deferred consideration	**1,324**	1,111
Interest on finance lease obligations	**713**	210
	27,047	7,163

10. INCOME TAX CREDIT/(EXPENSES)

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

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

10. INCOME TAX CREDIT/(EXPENSES) *(continued)*

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

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

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

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

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

10. INCOME TAX CREDIT/(EXPENSES) *(continued)*

For the year ended 31st March 2008, the weighted average applicable tax rates was approximately 19.11% (2007: 16.76%).

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

11. DISCONTINUED OPERATIONS

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

	2008 ***HK$'000***	2007 *HK$'000*
Revenue	**4,514**	63,801
Cost of sales	**(7,543)**	(63,532)
Gross (loss)/profit	**(3,029)**	269
Other gains — net	**32**	164
Selling and distribution expenses	**(6)**	(180)
General and administrative expenses	**(51)**	(1,087)
Operating loss	**(3,054)**	(834)
Finance income	**120**	160
Loss before income tax	**(2,934)**	(674)
Income tax credit	**702**	120
Loss for the year from discontinued operations	**(2,232)**	(554)
Operating cash (outflows)/inflows	**(1,034)**	3,503
Investing cash (outflows)/inflows	**(136)**	351
Financing cash outflows	**(430)**	—
Total cash (outflows)/inflows	**(1,600)**	3,854

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$9,350,000 (2007: HK$60,692,000).

13. EARNINGS PER SHARE

Basic (loss)/profit per share

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

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

Diluted (loss)/profit per share

No diluted loss per share from continuing and discontinued operations for the year ended 31st March 2008, and from discounted operations for the year ended 31st March 2007 has been presented as the potential ordinary shares are anti-dilutive.

13. EARNINGS PER SHARE *(continued)*

Diluted (loss)/profit per share *(continued)*

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

	HK$'000
Profit attributable to equity holders of the Company	67,301
Adjustment for convertible bonds accrued interest expenses	1,070
Adjusted profit attributable to equity holders of the Company	68,371

	Number of shares
Weighted average number of ordinary shares in issue	95,794,716
Adjustment for convertible bonds	127,713,920
Adjustment for non-redeemable preference shares	7,819,776,251
Weighted average number of ordinary shares of diluted profit per share	8,043,284,887
Dulited profit per share *(HK cents)*	0.85

14. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery and demonstration machinery	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2007							
Cost	—	8	2,476	804	—	—	3,288
Accumulated depreciation	—	(1)	(2,326)	(483)	—	—	(2,810)
Net book amount	—	7	150	321	—	—	478
Year ended 31st March 2007							
Opening net book amount	—	7	150	321	—	—	478
Additions upon:							
— acquisition of subsidiaries	—	1,902	1,974	398	13,465	—	17,739
— subscription of shares in jointly controlled entities	6,967	63	787	854	4,633	5,844	19,148
Additions	—	44	377	198	34	1,999	2,652
Disposals	—	—	(35)	(321)	(4,769)	—	(5,125)
Depreciation	(128)	(130)	(523)	(266)	(970)	—	(2,017)
Transfer from inventories	—	—	—	—	2,918	—	2,918
Other transfers	—	—	2,800	—	—	(2,800)	—
Exchange realignments	85	—	38	10	76	12	221
Closing net book amount	6,924	1,886	5,568	1,194	15,387	5,055	36,014
At 31st March 2007							
Cost	7,079	2,018	8,377	1,476	16,418	5,055	40,423
Accumulated depreciation	(155)	(132)	(2,809)	(282)	(1,031)	—	(4,409)
Net book amount	6,924	1,886	5,568	1,194	15,387	5,055	36,014

14. PROPERTY, PLANT AND EQUIPMENT — GROUP *(continued)*

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Plant and machinery and demonstration machinery *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
Year ended 31st March 2008							
Opening net book amount	6,924	1,886	5,568	1,194	15,387	5,055	36,014
Additions	—	5,401	3,442	850	1,475	2,404	13,572
Disposals	(119)	—	(28)	(81)	(2,196)	—	(2,424)
Depreciation	(490)	(799)	(1,676)	(423)	(3,328)	—	(6,716)
Transfer from inventories	—	—	—	—	21,981	—	21,981
Other transfers	3,816	—	750	—	33	(4,599)	—
Exchange realignments	570	78	436	102	495	498	2,179
Closing net book amount	10,701	6,566	8,492	1,642	33,847	3,358	64,606
At 31st March 2008							
Cost	13,776	9,091	21,263	5,479	43,868	3,358	96,835
Accumulated depreciation	(3,075)	(2,525)	(12,771)	(3,837)	(10,021)	—	(32,229)
Net book amount	10,701	6,566	8,492	1,642	33,847	3,358	64,606

Depreciation expense of HK$3,843,000 (2007: HK$1,158,000) has been included in general and administrative expenses, and HK$2,792,000 (2007: HK$859,000) in cost of sales.

The net book amount of the Group's plant and machinery and demonstration machinery held under finance leases as at 31st March 2008 amounted to HK$26,733,000 (2007: HK$1,278,000). There is no net book amount of the Group's motor vehicles held under finance lease as at 31st March 2008 (2007: HK$26,000).

Certain property, plant and equipment are pledged as security for the Group's banking facilities. Details are set out in note 37 to the financial statements.

15. INVESTMENT PROPERTIES

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

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

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

Certain investment properties are pledged as security for the Group's banking facilities. Details are set out in note 37 to the financial statements.

16. LEASEHOLD LAND AND LAND USE RIGHTS

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

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

Certain leasehold land and land use right are pledged as security for the Group's banking facilities. Details are set out in note 37 to the financial statements.

17. INTANGIBLE ASSETS — GROUP

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

Amortisation of approximately HK$14,782,000 (2007: HK$5,861,000) is included in general and administrative expenses.

17. INTANGIBLE ASSETS — GROUP *(continued)*

Impairment tests for goodwill

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

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

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

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

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

	SMT trading	**Fishmeal and fish oil**
Gross margin	12.8%-12.9%	8.8%
Growth rate in the first year	50.1%	23.5%
Growth rates from the second year	14.1%-14.4%	10.0%
Discount rate	10%	10%

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

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

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

18. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — COMPANY

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

	2008 **HK$'000**	2007 HK$'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries *(note 39(b))*	**688,192**	589,435
	688,192	589,435
Less: Current portion	**(6,318)**	—
Non-current portion	**681,874**	589,435

The following is a list of subsidiaries as at 31st March 2008:

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

18. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — COMPANY *(continued)*

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

18. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — COMPANY *(continued)*

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

18. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — COMPANY *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest held by the Group
Tianjin American Tec Trading Company Limited *(ii)*	Mainland China, limited liability company	Trading of electronic products and spare parts	US$200,000	100%
Upward Move Limited	Hong Kong, limited liability company	Dormant	1 ordinary share of HK$1 each	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	Dormant	US$200,000	100%
蘇州美亞電子科技有限公司 *(iii)*	Mainland China, limited liability company	Dormant	RMB500,000	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 foreign owned enterprises established in Mainland China to operate for periods from 10 to 50 years up to 2011 to 2052.

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

19. JOINTLY CONTROLLED ENTITIES

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

	2008 ***HK$'000***	2007 *HK$'000*
Assets		
Long-term assets	**73,882**	60,017
Current assets	**335,896**	280,997
	409,778	341,014
Liabilities		
Long-term liabilities	**(3,440)**	(4,380)
Current liabilities	**(242,337)**	(189,222)
	(245,777)	(193,602)
Net assets	**164,001**	147,412
Revenue	**418,499**	104,660
Expenses	**(417,118)**	(101,139)
Profit for the year	**1,381**	3,521

19. JOINTLY CONTROLLED ENTITIES *(continued)*

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

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

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

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

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest indirectly held by the Group
Coland Group Limited	Bermuda, limited liability company	Investment holding	150,000,000 ordinary shares of HK$0.1 each and 100,000,000 preference shares of HK$0.1 each	40%
Coland Holdings Company Limited	Hong Kong, limited liability company	Sourcing of fishmeal and fish oil investment holding, property holding	5,000,000 shares of HK$1.00 each	40%
Coland Management Limited	Hong Kong, limited liability company	Inactive	10 shares of HK$1.00 each	40%
Coland Shipping Limited	Hong Kong, limited liability company	Provision of shipping agency services	HK$10	40%

19. JOINTLY CONTROLLED ENTITIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest indirectly held by the Group
Fujian Coland Enterprises Co., Ltd. *(i)*	Mainland China, limited liability company	Processing fishmeal, refining fish oil, trading of processed fishmeal and refined fish oil, property holding, investment holding	RMB52,000,000	40%
Fujian Coland Feed Co., Ltd. *(i)*	Mainland China, limited liability company	Production and distribution of feeds	RMB20,000,000	40%
Fujian Coland Logistics Co., Ltd. *(i)*	Mainland China, limited liability company	Sales and supply of fishmeal, property investment holding, investment holding	RMB42,000,000	40%
Fujian Coland-Nosan Feed Co., Ltd. *(i)*	Mainland China, limited liability company	Production and distribution of feeds	RMB20,000,000	24%
Fuzhou Economic Technical Development Zone Coland Feeds Co., Ltd. *(ii)*	Mainland China, limited liability company	Manufacturing and sales of aquatic feeds	US$2,500,000	40%
Fuzhou Free Trade Zone Coland Bioengineering Co., Ltd. *(ii)*	Mainland China, limited liability company	Manufacturing and sales of fish oil	US$5,000,000	40%
Joint Group Limited	British Virgin Islands, limited liability company	Investment holding	5,500 shares of US$1.00 each	24%
Ocean Resource Macao Commercial Offshore Limited (formerly known as Coland Macao Commercial Offshore Limited)	Macau, limited liability company	Sourcing of fishmeal and crude fish oil, property holding	MOP500,000	40%

19. JOINTLY CONTROLLED ENTITIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest indirectly held by the Group
Rising Trend International Limited	British Virgin Islands, limited liability company	Investment holding	6,290 shares of US$1.00 each	40%
Wuhan Coland Feed Co., Ltd. *(i)*	Mainland China, limited liability company	Production and distribution of aquatic feeds	US$1,800,000	40%
Wuhan Coland Seafood Co., Ltd *(i)*	Mainland China, limited liability company	Production & distribution of seafood	US$2,100,000	40%

Notes:

(i) These companies are wholly foreign owned enterprises.

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

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

21. SUBSCRIPTION RECEIVABLES — GROUP AND COMPANY

Up to 31st March 2008, the Company issued a total of 13,373,254,851 non-redeemable preference shares, with a par value of HK$0.01 each, through placements, for an aggregated amount of approximately HK$2,273,037,000. Details of each placement are set out below:

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

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

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

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

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

21. SUBSCRIPTION RECEIVABLES — GROUP AND COMPANY *(continued)*

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

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

The carrying amounts of subscription receivables approximate their fair values.

Amortised interest income recognised as income and included in finance income amounted to approximately HK$22,168,000 (2007: HK$73,693,000) *(note 9)*.

Interest income on the subscription receivables is calculated using the effective interest method by applying the effective interest rates ranging from 6% to 6.5% (2007: 6.5%) per annum.

22. NON-CURRENT DEPOSITS

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

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

23. INVENTORIES

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

Certain inventories are pledged as security for the Group's banking facilities. Details are set out in note 37 to the financial statements.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills receivables *(note (a))*	**174,888**	136,158	**—**	—
Less: Provision for trade receivables	**(8,285)**	(6,867)	**—**	—
	166,603	129,291	**—**	—
Prepayments	**10,259**	7,227	**—**	458
Deposits to suppliers	**7,464**	24,006	**—**	—
Rental deposits	**840**	1,539	**—**	—
Interest receivables	**97**	200	**97**	200
Finance lease receivables *(note (b))*	**4,676**	4,539	**—**	—
Other receivables	**6,099**	957	**—**	—
	196,038	167,759	**97**	658

24. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and bill receivables

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

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

The carrying amounts of trade receivables approximate their fair values.

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

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

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

24. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and bill receivables *(continued)*

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

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

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

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

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

24. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and bill receivables *(continued)*

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

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

Certain bill receivables are pledged as security for the Group's banking facilities. Details are set out in note 37 to the financial statements.

(b) Finance lease receivables:

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

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

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

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and on hand	**67,532**	77,159	**22,577**	1,561
Short-term bank deposits	**558,571**	364,394	**558,389**	364,394
Cash and cash equivalents	**626,103**	441,553	**580,966**	365,955
Pledged bank deposits	**48,390**	49,899	**—**	—
	674,493	491,452	**580,966**	365,955

As at 31st March 2008, the effective interest rate on short-term bank deposits was approximately 1.09% (2007: 4.00%) per annum; these deposits have an average maturity of 7 days (2007: 14 days).

The pledged deposits were pledged as collateral for the Group's banking facilities and the effective interest rate on pledged bank deposits was approximately 3.47% (2007: 1.60%) per annum, these deposits have an average maturity of 258 days (2007: 238 days).

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**594,614**	376,119	**580,958**	365,947
US dollar	**10,771**	58,792	**8**	8
Renminbi	**62,586**	51,008	**—**	—
Other currencies	**6,522**	5,533	**—**	—
	674,493	491,452	**580,966**	365,955

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

26. SHARE CAPITAL

	Ordinary shares		Preference shares		
	Number of shares	Ordinary shares capital	Number of shares	Preference shares capital	Total
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
Authorised:					
At 31st March 2007 and 2008	**40,000,000**	**400,000**	**30,000,000**	**300,000**	**700,000**
Analysed as —					
Ordinary shares of HK$0.01 each	**40,000,000**	**400,000**	**—**	**—**	**400,000**
Preference shares of HK$0.01 each	**—**	**—**	**30,000,000**	**300,000**	**300,000**
	40,000,000	**400,000**	**30,000,000**	**300,000**	**700,000**
Issued:					
At 1st April 2006	95,795	958	7,383,167	73,832	74,790
Issue of preference shares	—	—	792,847	7,928	7,928
At 31st March 2007 and 1st April 2007	95,795	958	8,176,014	81,760	82,718
Issue of preference shares	—	—	5,197,240	51,973	51,973
At 31st March 2008	**95,795**	**958**	**13,373,254**	**133,733**	**134,691**

During the year, the Company entered into subscription agreements with certain independent and related parties *(note 39(c))* to issue 5,197,240,038 preference shares at HK$0.191 per share with total proceed amounting to approximately HK$992,673,000.

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

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

27. RESERVES

	Group							
	Share premium	Contributed surplus	Equity portion of convertible bonds	Capital reserve	Investment revaluation reserves	Cumulative translation adjustments	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1st April 2006	978,107	8,984	6,388	2,700	—	310	(21,684)	974,805
Profit attributable to equity holders of the Company	—	—	—	—	—	—	66,747	66,747
Issue of preference shares	106,271	—	—	—	—	—	—	106,271
Share issue expenses — preference shares	(741)	—	—	—	—	—	—	(741)
Translation adjustments — net	—	—	—	—	—	1,540	—	1,540
Balances at 31st March 2007 and 1st April 2007	**1,083,637**	**8,984**	**6,388**	**2,700**	**—**	**1,850**	**45,063**	**1,148,622**
Loss attributable to equity holders of the Company	**—**	**—**	**—**	**—**	**—**	**—**	**(72,590)**	**(72,590)**
Issue of preference shares	**914,968**	**—**	**—**	**—**	**—**	**—**	**—**	**914,968**
Share issue expenses — preference shares	**(5,970)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,970)**
Decrease in fair value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**(193)**	**—**	**—**	**(193)**
Translation adjustments — net	**—**	**—**	**—**	**—**	**—**	**11,128**	**—**	**11,128**
Balances at 31st March 2008	**1,992,635**	**8,984**	**6,388**	**2,700**	**(193)**	**12,978**	**(27,527)**	**1,995,965**

27. RESERVES *(continued)*

	Company				
	Share premium	Contribution surplus	Equity portion of convertible bonds	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1st April 2006	978,107	8,984	6,388	(25,638)	967,841
Profit attributable to equity shareholders of the Company	—	—	—	60,692	60,692
Issue of preference shares	106,271	—	—	—	106,271
Share issue expenses — preference shares	(741)	—	—	—	(741)
Balances at 31st March 2007 and 1st April 2007	**1,083,637**	**8,984**	**6,388**	**35,054**	**1,134,063**
Profit attributable to equity shareholders of the Company	**—**	**—**	**—**	**9,350**	**9,350**
Issue of preference shares	**914,968**	**—**	**—**	**—**	**914,968**
Share issue expenses — preference shares	**(5,970)**	**—**	**—**	**—**	**(5,970)**
Balances at 31st March 2008	**1,992,635**	**8,984**	**6,388**	**44,404**	**2,052,411**

28. BORROWINGS

Borrowings are analysed as follows:

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

28. BORROWINGS *(continued)*

(a) Bank borrowings

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

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

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

28. BORROWINGS *(continued)*

(a) Bank borrowings *(continued)*

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

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

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

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

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

The maturity of bank borrowings is as follows:

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

28. BORROWINGS *(continued)*

(a) Bank borrowings *(continued)*

The bank borrowings are repayable as follows:

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

(b) Finance lease obligations

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

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

29. TRADE AND OTHER PAYABLES

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

The aging analysis of trade payables is as follows:

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

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

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

The total notional principal amount of the outstanding forward foreign exchange contracts at 31st March 2008 was approximately HK$14,968,000 (2007: Nil). At 31 March 2008, fixed exchange rates from US dollar to Renminbi ranged from 6.56 to 7.05.

31. DEFERRED SUBSCRIPTION PAYABLE

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

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

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

32. CONVERTIBLE BONDS — GROUP AND COMPANY

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

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

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

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

	2008 ***HK$'000***	2007 *HK$'000*
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 on 8th August 2005	**13,612**	13,612
Accrued interest expenses	**3,378**	2,100
Liability component at 31st March	**16,990**	15,712

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

Accrued interest expenses recognised as expenses and included in finance costs amounted to approximately HK$1,278,000 (2007: HK$1,070,000) *(note 9)*.

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

33. DEFERRED TAX — GROUP

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

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

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

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

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At the beginning of the year	(2,333)	—	(2,333)
Recognised in the income statement	543	14,223	14,766
At the end of the year	(1,790)	14,223	12,433

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

34. OTHER NON-CURRENT LIABILITIES — GROUP

As at 31st March 2008, included in the balance are provisions for employee benefits and reinstatement costs of approximately HK$402,000 and HK$120,000 respectively.

35. CASH FLOW STATEMENT

Cash generated from operations

	2008	2007
	HK$'000	*HK$'000*
Operating loss	**(98,235)**	(13,122)
Depreciation of property, plant and equipment	**6,716**	2,017
Depreciation of investment properties	**81**	18
Amortisation of intangible assets	**14,782**	5,861
Amortisation of leasehold land and land use rights	**374**	60
Loss on disposal of property, plant and equipment	**613**	396
Provision/(write-back of provision) for inventories	**28,776**	(188)
Operating loss before working capital changes	**(46,893)**	(4,958)
Increase in inventories	**(79,511)**	(22,506)
(Increase)/decrease in trade and other receivables	**(31,586)**	47,357
Increase/(decrease) in trade and other payables	**70,426**	(31,792)
Exchange realignments	**272**	117
Net cash (used in)/generated from operations	**(87,292)**	(11,782)

36. FINANCIAL GUARANTEES

As at 31st March 2008, the Company had provided guarantees of approximately HK$265,363,000 (2007: HK$295,712,000) with respect to banking facilities made available to its subsidiaries. As at 31st March 2008, bank borrowings of approximately HK$74,419,000 were outstanding (2007: HK$52,760,000). The Company's directors and the Group's management anticipate that no material liabilities will arise from such guarantees which arose in the ordinary course of business.

37. BANKING FACILITIES

As at 31st March 2008, the Group had banking facilities of approximately HK$593,024,000 (2007: HK$588,795,000) from several banks for loans and trade financing. As at 31st March 2008, approximately HK$193,346,000 were utilised by the Group (2007: HK$161,516,000). These facilities were secured by:

(i) pledge of property, plant and equipment of the jointly controlled entities of approximately HK$3,910,000 (2007: HK$5,200,000);

(ii) pledge of leasehold land and land use rights of the jointly controlled entities of approximately HK$4,549,000 (2007: HK$6,975,000);

(iii) pledge of entire balance investment properties of the jointly controlled entities;

(iv) pledge of inventories of the jointly controlled entities of approximately HK$16,969,000 (2007: HK$23,439,000) and certain of the Group's inventories held under trust receipts bank loan arrangements;

(v) pledge of the bank deposits of jointly controlled entities of approximately HK$48,390,000 (2007: HK$49,899,000);

(vi) discounted bills receivables with recourse of the Group and the jointly controlled entities of approximately HK$30,833,000 (2007: HK$3,546,000); and

(vii) corporate guarantee of approximately HK$265,363,000 (2007: HK$295,712,000 provided by the Company.

38. COMMITMENTS

(a) Operating lease commitments

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

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

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

(b) Other commitments

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

39. RELATED PARTY TRANSACTIONS

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

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

39. RELATED PARTY TRANSACTIONS *(continued)*

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

	2008 **HK$'000**	2007 *HK$'000*
Name of related party/nature of transaction		
Ajia Partners (HK) Limited ("APHK") *(note (i))*		
— Rental expense charged to the Group	**938**	904
— Administrative services fee charged to the Group	**996**	979
NASA *(note (ii))*		
— Service fees charged to the Group	**25,322**	20,896
— Placing fees charged to the Group	**4,814**	—

Notes:

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

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

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

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

(b) Balances with subsidiaries

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

(c) Issue of preference shares to related parties

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

39. RELATED PARTY TRANSACTIONS *(continued)*

(d) Key management compensation:

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

40. SUBSEQUENT EVENTS

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

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

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

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

主要營業地點
香港皇后大道中99號中環中心78樓
電話 : (852) 2905 9000
傳真 : (852) 2169 0209

www.nasholdings.com