THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

VERY SUBSTANTIAL ACQUISITION
AND
MAJOR TRANSACTION — FINANCIAL ASSISTANCE

Financial adviser to North Asia Strategic Holdings Limited

OPTIMA CAPITAL

Optima Capital Limited

A letter from the board of directors of North Asia Strategic Holdings Limited is set out on pages 8 to 28 of this circular.

A notice convening a special general meeting of North Asia Strategic Holdings Limited to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 30th June 2008 is set out on pages 221 to 222 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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

13th June 2008

* *For identification purpose only*

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. 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.

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by NASS pursuant to the Agreement
"Agreement"	the agreement dated 30th April 2008 entered into among SMG and NASS in relation to the Acquisition
"Ajia Parties"	NASAC and Mr. Tsang
"API"	Ajia Partners Inc., a company incorporated in the Cayman Islands and the holding company of NASA
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Divisions"	the 3 business divisions of TKC transferred from the Former Company (being the manufacturing of (i) polyester fiber; (ii) spandex; and (iii) PET resin)
"Closing Date"	30th June 2008 or such other time as the parties to the Agreement may agree
"Coland"	Coland Group Limited, a company incorporated in Bermuda with limited liability
"Coland Group"	Coland and its subsidiaries
"Coland Preferred Shares"	a total of 100,000,000 convertible preferred shares of HK$0.10 each in the share capital of Coland held by Good Tactics
"Coland Shareholders"	the shareholders of Coland other than Good Tactics
"Coland Shareholders' Agreement"	the shareholders' agreement dated 7th December 2006 entered into among Good Tactics, Coland, Coland Shareholders and the Company in relation to the respective shareholders' rights of Good Tactics and the Coland Shareholders in Coland

"Company"	North Asia Strategic Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on GEM (stock code: 8080)
"Completion"	completion of the Agreement
"Consideration"	KRW50 billion (equivalent to approximately HK$390 million), being the consideration for the Sale Shares pursuant to the Agreement
"Convertible Bonds"	the convertible bonds issued by the Company, with total face value of HK$20 million, held by the Ajia Parties which are convertible into new Shares at an initial conversion price of HK$0.1566 per Share (subject to adjustments)
"DIC"	Daewoo International Corporation, a joint stock corporation established under the laws of Korea whose shares are listed on the Korea Exchange
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group after Completion
"Former Company"	Tongkook Corporation, a joint stock corporation established under the laws of Korea whose shares were delisted from the Korea Exchange in 2002
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Good Tactics"	Good Tactics Limited (佳略有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Guarantee(s)"	the corporate guarantee(s) to be provided by Good Tactics or the Group (if not by Good Tactics) in favour of the Lenders with a limit of HK$300,000,000 in aggregate pursuant to the terms of the Guarantee Agreement

"Guarantee Agreement"	the agreement dated 9th May 2008 entered into between Good Tactics and Coland in relation to the provision of the Guarantee(s) by Good Tactics or the Group (if not by Good Tactics) in favour of the Lenders in respect of the Loans
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huge Top"	Huge Top Industrial Ltd., a company incorporated in the British Virgin Islands
"Independent Third Parties"	third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
"Kyungnam"	Kyungnam Wool Textile Co., Ltd.
"Latest Practicable Date"	11th June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Lender(s)"	the bank(s) or financial institution(s) operating and making (or proposing to make) advances to the Coland Group other than persons that are citizens or residents of or established or otherwise operating in the PRC
"Loan(s)"	the loan(s) made or proposed to be made by the Coland Group from the Lenders, which loan is not available or repayable in RMB and is solely for the purpose of financing its working capital whether in the form of trade finance facilities, or otherwise where the context requires in respect of any Guarantee, the loan part of the repayment obligations in respect of which is guaranteed under that Guarantee
"Macau"	the Macao Special Administrative Region of the PRC
"Mr. Cho"	Mr. Henry Kim Cho, the Deputy Chairman and an executive Director of the Company
"Mr. Chow"	Mr. Savio Chow Sing Nam, the Chief Executive Officer and an executive Director of the Company

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

"Non-conversion Put"	the put option to be granted to NASS pursuant to the Shareholders' Agreement to dispose of its TKC Common Shares if conversion of the TKC Common Shares into TKC Preferred Shares does not occur in accordance with the terms of the Shareholders' Agreement
"Non-listing Redemption"	the redemption of the TKC Preferred Shares at the request of the holders thereof if a Qualified Offering does not occur within 36 months from the date of the purchase of the TKC Perferred Shares
"PET resin"	polyethylene terephthalate, the polymer resin raw materials used in synthetic fibers, beverage, food and other liquid containers
"PRC"	the People's Republic of China which, for the purpose of this circular, exclude Hong Kong, Macau and Taiwan
"Preference Shares"	the non-voting convertible preference shares in the issued share capital of the Company
"Qualified Offering"	an initial public placement or offer for sale of the TKC Common Shares and their listing or quotation on either the Korea Exchange, Korean Securities Dealers Automated Quotations (KOSDAQ) or any other reputable international stock exchange, with the requirement of the minimum amount of TKC Common Shares held by the public for the purpose of such listing and with a market capitalisation of not less than KRW300 billion (equivalent to approximately HK$2,340 million) or its equivalent in case of such offering in a stock exchange outside Korea
"Sale Shares"	a total of 2,699,347 TKC Common Shares of KRW5,000 each in the issued share capital of TKC
"Seller"	SC First Bank, the principal creditor bank of the Former Company's Council of Creditor Financial Institutions
"Selling Shareholders"	10 financial creditors of the Former Company and 1 original shareholder of TKC which together held the entire issued TKC Common Shares as at the date of the SSPA

"Services Agreement"	the services agreement dated 26th September 2005 (as amended and restated on 30th December 2005) entered into between the Company and NASA
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholders"	the holders of the Shares and/or Preference Shares
"Shareholders' Agreement"	the shareholders' agreement to be executed by NASS and SMG on or before Completion
"SMG"	SMT and TKCH
"SMG Acquisition"	the acquisition by SMG of an aggregate of 4,500,653 TKC Common Shares pursuant to the SSPA and assignments to be entered into between the Seller, Kyungnam and each of SMG
"SMG Call Option"	the call option to be granted to SMG pursuant to the Shareholders' Agreement to acquire up to 50% of the TKC Shares held by NASS in accordance with the terms of the Shareholders' Agreement
"SMT"	SMT Chemical Co., Ltd., a joint stock corporation established under the laws of Korea
"Special General Meeting"	the special general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition
"SSPA"	the amended and restated sale and purchase agreement dated 3rd April 2008 entered into between Kyungnam (as the purchaser) and the Seller in relation to the acquisition of 8,000,000 TKC Common Shares by Kyungnam
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Timeless"	Timeless Enterprises Limited, a company incorporated in the British Virgin Islands which is controlled by Mr. Cho
"TKC"	TK Chemical Co., Ltd., a joint stock corporation established under the laws of Korea
"TKC Breach Redemption"	the right of NASS to require TKC to redeem all the TKC Shares held by NASS in accordance with the terms of the Shareholders' Agreement if the Shareholders' Agreement is terminated due to a breach by TKC
"TKCH"	TK Chemical Holdings Co., Ltd., a joint stock corporation established under the laws of Korea
"TKC Common Share(s)"	common share(s) of KRW5,000 (equivalent to approximately HK$39) each in the share capital of TKC
"TKC Preferred Share(s)"	preferred share(s) of KRW5,000 (equivalent to approximately HK$39) each to be issued by TKC
"TKC Share(s)"	TKC Common Share(s) or TKC Preferred Share(s)
"TKC Shareholder(s)"	holder(s) of the TKC Share(s)
"TN"	TN Development Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"KRW"	Korean Won, the lawful currency of Korea
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of illustration in this circular, amounts in KRW have been translated into HK$ at the exchange rate of KRW1,000 = HK$7.7, KRW1,000 = HK$8.4 and KRW1,000 = HK$7.8 as at 31st December 2005, 2006 and 2007 respectively; and at the average rate of KRW1,000 = HK$7.6, KRW1,000 = HK$8.1 and KRW1,000 = HK$8.4 for the years ended 31st December 2005, 2006 and 2007 respectively; and amounts in US$ have been translated into HK$ at the exchange rate of US$1.0 = HK$7.8.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

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

Non-executive Director:
Mr. Takeshi Kadota

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

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

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

13th June 2008

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

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
AND
MAJOR TRANSACTION — FINANCIAL ASSISTANCE

INTRODUCTION

The Company announced on 9th May 2008 that Good Tactics and Coland entered into the Guarantee Agreement, pursuant to which Good Tactics will, subject to the terms of the Guarantee Agreement and on request by Coland, provide or procure the provision of one or more Guarantee(s) in favour of the Lenders in respect of the Loans. The provision of the Guarantee(s) constitutes a major transaction of the Company under the GEM Listing Rules and requires the approval of the Shareholders. Each of NASAC and Mr. Tsang, who

* *For identification purpose only*

was beneficially interested in approximately 46.1% and 21.1% respectively of the existing issued Shares as at the date of the Guarantee Agreement, has given written consent to the Guarantee. The written consents from NASAC and Mr. Tsang are accepted in lieu of holding a general meeting to approve the Guarantee pursuant to Rule 19.44 of the GEM Listing Rules.

On 30th April 2008, NASS and SMG entered into the Agreement pursuant to which NASS conditionally agreed to acquire the Sale Shares, representing 33.74% of the total issued TKC Common Shares, for a total consideration of KRW50 billion (equivalent to approximately HK$390 million). As one of the conditions precedent to Completion, SMG and NASS shall enter into the Shareholders' Agreement, involving, among others, the grant of SMG Call Option, the Non-conversion Put, the NASS Put Options, the TKC Breach Redemption and the Non-listing Redemption. The Acquisition and terms of the Shareholders' Agreement had been announced by the Company on 21st May 2008 and 3rd June 2008. The Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules and requires the approval of the Shareholders. The Shareholders' Agreement will be entered into by NASS and SMG on or before Completion. Upon execution of the Shareholders' Agreement and subject to, among other things, the Shareholders' approval, each of the grant of the SMG Call Option, the exercise of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption by NASS will constitute a possible very substantial disposal of the Company under the GEM Listing Rules. The Special General Meeting will be convened to seek approval from the Shareholders for the Acquisition. A separate circular shall be issued and a separate special general meeting shall be convened by the Company regarding the grant of the SMG Call Option, the exercise of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption.

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

THE GUARANTEE AGREEMENT

Date : 9th May 2008

Parties : Good Tactics (as guarantor) and Coland (as borrower)

As at the date of the Guarantee Agreement, Good Tactics held 100,000,000 Coland Preferred Shares, representing 40% of the total issued share capital of Coland on a fully converted basis. Save for Good Tactics' interest in the 100,000,000 Coland Preferred Shares, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Coland and the Coland Shareholders and their respective associates are Independent Third Parties.

Provision of Guarantee(s)

Pursuant to the Guarantee Agreement, Good Tactics shall provide or procure the provision of one or more Guarantee(s) in favour of the Lenders in respect of the relevant Loans at the request of Coland. Good Tactics shall not be obliged to provide any Guarantee pursuant to any request made by Coland unless all of the following conditions are met:

(1) neither Coland nor the Coland Shareholders is in breach of any material respect of its obligations under the Coland Shareholders' Agreement, nor is Coland in breach of its obligations under the Guarantee Agreement;

(2) neither Coland nor the borrower (if not Coland) of the Loan in respect of which a Guarantee is subsisting is in breach of its obligation under the Loan nor is any party providing security in respect of the Loan is in breach of the relevant security documents;

(3) nothing has occurred or is likely to occur that could be reasonably expected to result in any material adverse change in the assets and liabilities, financial position or trading prospects of the Coland Group since 31st March 2007;

(4) the borrower of the Loan (if not Coland) is a subsidiary of Coland and that the borrower and providers of security in respect of the Loan having due corporate power and authority to borrow the Loan and provide the security respectively;

(5) the terms of the Guarantee and the relevant Loan are reasonable and on normal commercial terms, and the borrower of the relevant Loan could reasonably be expected to be able to service and repay the relevant Loan;

(6) the relevant Loan is to be used for funding working capital of Coland and/or its subsidiaries;

(7) the Lender of the relevant Loan having required in writing that the Guarantee be provided as a condition precedent to the making and/or renewal and/or continuation of the relevant Loan;

(8) principal covered by the Guarantee and the payment obligations of the guarantor under the Guarantee does not exceed Good Tactics' shareholding in Coland on a fully diluted basis as if the Coland Preferred Shares have been fully converted; and

(9) the Coland Shareholders have provided or will at the same time as the issue of the Guarantee provide jointly and severally in favour of the Lender such guarantee or other security acceptable to the Lender in respect of any remaining liability under the relevant Loan (which is not otherwise covered by the Guarantee).

Request of Guarantee

Each request for the Guarantee shall be made in writing by Coland to Good Tactics and shall contain, among other things, full particulars of the Guarantee requested and the relevant Loan.

Limit

The aggregate of principal covered by all Guarantees shall not exceed HK$300,000,000.

Guarantee fee

A guarantee fee would be payable by Coland to the issuer of the Guarantee (or its nominee) in consideration of the provision of the relevant Guarantee. The guarantee fee shall be paid in advance by instalments, calculated at 0.5% per annum on the maximum principal amount of the payment obligations under that Guarantee on the date of issue and subject to a maximum guarantee fee of HK$800,000 for each of the financial year of Coland. 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.

Conditions precedent

The Guarantee Agreement and the obligations of Good Tactics thereunder are subject to the following conditions being fulfilled on or before 31st July 2008 (or such later date as the parties to the Guarantee Agreement may agree):

(i) the approval (if required) of the Guarantee Agreement and the transactions contemplated thereunder by the directors and shareholders of Coland; and

(ii) the approval (if required) of the Guarantee Agreement and the transactions contemplated thereunder by the Shareholders in general meeting on which resolution the Shareholders who vote are those who are permitted to vote under the GEM Listing Rules, or by obtaining written approval of the Shareholders in lieu of holding the general meeting in accordance with the GEM Listing Rules.

As at the Latest Practicable Date, all of the above conditions had been fulfilled.

REASONS FOR THE PROVISION OF THE GUARANTEE(S)

The Group is principally engaged in trading of surface mount technology assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services, developing and operating Burger King restaurants in Hong Kong and Macau and investment holding. The Coland Group, being a jointly controlled entity of the Group, is engaged in the business of processing 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.

As disclosed in the third quarterly report 2007/2008 of the Company, demand for high-quality fish oil and the market price have remained strong. In response to the positive market environment, Coland has expanded into downstream businesses through the set up of a joint venture to produce and sell premium feed. Coland has also started the construction of its seafood processing and feed factories in Wuhan, the PRC. The expansion plan as well as the increasing scale of operation of the Coland Group is expected to require working capital from banks or financial institutions. Pursuant to another agreement between the Coland Shareholders and Coland dated 9th May 2008, the Coland Shareholders will also provide guarantee(s) in favour of the Lenders with terms similar to the Guarantee Agreement. In consideration of the Coland Shareholders providing the above guarantee(s), Coland shall pay a guarantee fee to the Coland Shareholders in a maximum amount of HK$1,200,000 for each of the financial year of Coland.

Given that (i) the maximum aggregate liability to be guaranteed by Good Tactics or the Group (if not by Good Tactics) does not exceed its pro rata share of shareholding in the total issued share capital of Coland; and (ii) the Coland Shareholders will at the same time provide jointly and severally security in favour of the Lender in respect of any remaining liability under the relevant Loan not covered by the Guarantee, the Board considers that the Guarantee Agreement is on normal commercial terms. In addition, the expansion plan of Coland is expected to strengthen its revenue stream and profitability and will in turn benefit the Group since Coland is accounted for as a jointly controlled entity of the Group. Based on the above, the Directors consider that the provision of the Guarantee(s) is in the interests of the Company and the Shareholders as a whole and that the terms of the Guarantee Agreement are fair and reasonable.

FINANCIAL EFFECT OF THE PROVISION OF THE GUARANTEE(S) ON THE GROUP

The provision of the Guarantee(s) will not have any immediate effects on the earnings, assets and liabilities of the Group.

Depending on the actual amount of the Guarantee(s) issued by the Group, the Group will be entitled to a guarantee fee of up to HK$800,000 for each financial year.

If there is a default in the repayment of bank facilities by Coland or the borrower (if not Coland) under the Loan, Good Tactics will be responsible for the repayment of the bank facilities which it guaranteed up to the maximum amount of HK$300,000,000. The Company will review the financial position of Coland and discuss with their management from time to time so as to monitor and assess the risk that may arise from the provision of the Guarantee(s).

GEM LISTING RULES IMPLICATION OF THE PROVISION OF THE GUARANTEE(S)

The provision of the Guarantee(s) constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of Shareholders. As no Shareholder or its associates have interests in the Guarantee Agreement which are different from the other Shareholders, no Shareholder is required to abstain from voting on the Guarantee. NASAC and Mr. Tsang held approximately 46.1% and 21.1% of the existing issued Shares respectively as at the date of the Guarantee Agreement. The issued share capital of NASAC comprises 1 voting participating share and 266 non-voting participating shares, all with par value of US$1 each. NASA holds the single voting participating share of NASAC. According to the memorandum of association of NASAC, the non-voting participating shareholders have no voting rights (save for matters affecting their class of shares only) and these shares cannot be converted into voting participating shares. NASA is a subsidiary of API. Mr. Tsang, Mr. Cho, Mr. Chow and their respective associates in aggregate hold a controlling interest in API but none of the shareholders of API hold or control more than 30% of the equity interest in API. NASAC and Mr. Tsang have given written consents to the Guarantee. The written consents from NASAC and Mr. Tsang are accepted in lieu of holding a general meeting to approve the Guarantee(s) pursuant to Rule 19.44 of the GEM Listing Rules.

As the amount of the Guarantee(s) exceeds 8% under the asset ratio as defined under Rule 19.07(1) of the GEM Listing Rules, details of the Guarantee(s) are also disclosed in the announcement of the Company dated 15th May 2008 pursuant to Rule 17.18 of the GEM Listing Rules.

THE AGREEMENT

Date

30th April 2008

Parties

(i) SMG (as the assignors of their rights or to procure the assignment of the right to purchase the Sale Shares under the SSPA); and

(ii) NASS, a wholly-owned subsidiary of the Company (as the purchaser).

SMG comprises SMT and TKCH. As advised by SMG, both SMT and TKCH are investment holding companies and have not been engaged in any business prior to the SMG Acquisition. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, SMG and their respective ultimate beneficial owners are Independent Third Parties. The Company has not engaged in any previous transactions with SMG or their respective ultimate beneficial owners in the last 12 months which would otherwise require aggregation under Rule 19.22 of the GEM Listing Rules.

Assets to be acquired

The Former Company is a joint stock corporation established under the laws of Korea which was a synthetic fibre manufacturer listed on the Korea Exchange. In 1999, the Former Company experienced financial difficulties and underwent a debt and corporate restructuring. The Former Company had over 30 financial creditors (the "Creditors") including the Seller. The Creditors delegated all the power and authority to the Seller to carry out any duties in connection with the corporate restructuring of the Former Company. As part of the restructuring, it was agreed that three business divisions of the Former Company were transferred to a newly set up vehicle, TKC, and 10 Creditors and 1 original shareholder of TKC (together, the Selling Shareholders) agreed to a debt-to-equity swap to capitalize their lendings to the Former Company for TKC Common Shares. The debt-to-equity swap was completed in February 2008. On 3rd April 2008, the Seller entered into the SSPA with Kyungnam, pursuant to which Kyungnam have agreed to acquire 8,000,000 TKC Common Shares (representing the entire issued TKC Common Shares) from the Selling Shareholders through a bidding process at a consideration of KRW18,523 per Sale Share (equivalent to approximately HK$144.48 per Sale Share). Kyungnam had then established SMG as special purpose companies and assigned its right under the SSPA to acquire 4,500,653 TKC Common Shares (representing 56.26% of the existing issued TKC Common Shares) to SMG. DIC shall acquire from Kyungnam the right to acquire 800,000 TKC Common Shares (representing 10.0% of the existing issued TKC Common Shares).

Subject to the terms and conditions of the Agreement, SMG shall itself or procure Kyungnam to assign the right under the SSPA to purchase, and NASS shall purchase from the Seller, the Sale Shares (being 2,699,347 TKC Common Shares representing 33.74% of the existing issued TKC Common Shares).

Immediately upon Completion, the shareholding structure of TKC will be as follows:

	TKC Common Shares	**%**
SMG	4,500,653	56.26
DIC	800,000	10.00
NASS	2,699,347	33.74
Total	8,000,000	100.00

The Selling Shareholders include entities established by Woori Bank, which is in turn a holder of 792,848,020 Preference Shares. Save as aforesaid, the other Selling Shareholders and DIC are Independent Third Parties. The Company has not engaged in any previous transactions with the Selling Shareholders in the last 12 months which would otherwise require aggregation under Rule 19.22 of the GEM Listing Rules.

Consideration

KRW50 billion (equivalent to approximately HK$390 million), representing KRW18,523 per Sale Share (equivalent to approximately HK$144.48 per Sale Share), payable by the Group in cash on the Closing Date.

The Consideration was determined based on arms-length commercial negotiations between the parties taking into account the terms of the Shareholders' Agreement as set out in the paragraph headed "The Shareholders' Agreement" below. The consideration per Sale Share is the same as the acquisition price per TKC Common Share paid by SMG under the SSPA which was arrived at after a bidding process. The Group will finance the payment of the Consideration with internal resources and the proceeds from the placement of Preference Shares completed in December 2007.

Conditions

Completion is subject to, among others, the following conditions being fulfilled or waived (as the case may be) on or before the Closing Date:

(i) the acquisition by SMG and DIC of 56.26% and 10.00% of the total issued TKC Common Shares under the SSPA having been completed;

(ii) SMG (or Kyungnam), NASS, the Seller and the Selling Shareholders having executed an assignment agreement pursuant to which SMG (or Kyungnam) shall assign and NASS shall assume the purchase of the Sale Shares and the rights under the SSPA, including the representations and warranties under the SSPA;

(iii) TKC having executed loan agreements (i) with Woori Bank and other lenders for its debt refinancing of KRW152 billion (equivalent to approximately HK$1,185.6 million); and (ii) with DIC for credit facility of US$60 million (equivalent to approximately HK$468 million) in form and substance acceptable to NASS;

(iv) SMG having executed a loan agreement with Woori Bank and other lenders for financing the SMG Acquisition in form and substance acceptable to NASS;

(v) Woori Bank having provided a letter of commitment to TKC and NASS for the refinancing of a borrowing of TKC of KRW70 billion (equivalent to approximately HK$546 million);

(vi) the Shareholders' Agreement having been executed by SMG and NASS in a form acceptable to NASS;

(vii) all requisite authorisations, consents, waivers, government approvals or other actions of proceedings in connection with the Agreement, the Shareholders' Agreement and the shareholders' agreement to be entered between SMG and DIC having been obtained;

(viii) the approval of the Agreement and the transactions contemplated thereunder having been obtained from the Shareholders in the manner required by the GEM Listing Rules;

(ix) the representations and warranties made by SMG, the Seller and the Selling Shareholders under the Agreement, the SSPA and any and all other agreements executed by SMG in connection with the SMG Acquisition remaining true, accurate and correct as of the Closing Date;

(x) there being no material investigation, suit, action or other proceeding pending or threatened in connection with, inter alia, the Agreement, the SSPA, the Acquisition or the Shareholders' Agreement; and

(xi) the legal due diligence review by NASS having been completed and NASS being satisfied based on such review and findings that there being no material adverse effect on TKC or the Acquisition.

If the above conditions shall not have been wholly fulfilled (or, as the case may be, waived by NASS) on or before the Closing Date, the Agreement shall terminate and none of the parties thereto shall have any obligations thereunder, except for obligations which are expressed in the Agreement to survive such termination.

As at the Latest Practicable Date, condition (i) had been fulfilled.

THE SHAREHOLDERS' AGREEMENT

As a condition precedent to Completion, SMG and NASS shall enter into the Shareholders' Agreement to regulate the respective shareholders' rights of NASS and SMG in TKC, with the following preliminary major terms:

Conversion to TKC Preferred Shares

On the Closing Date, SMG shall and procure TKC to take all the actions necessary for the TKC Common Shares held by NASS to be converted into TKC Preferred Shares. Set out below is the shareholding table of TKC (i) immediately after completion of the Acquisition; and (ii) immediately after the conversion by NASS of the Sale Shares to TKC Preferred Shares:

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

Terms of the TKC Preferred Shares

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

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

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

Holder(s) of the TKC Preferred Shares shall also have the right to convert the TKC Preferred Shares into TKC Common Shares at any time prior to the 36 months from the date of the purchase of the TKC Preferred Shares at the then prevailing conversion ratio.

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

Dividend: Holders of the TKC Preferred Shares shall be entitled to an annual per share cash dividend equal to 15% of the original purchase price of the TKC Preferred Shares (i.e. 15% of KRW18,523 per TKC Preferred Shares for NASS) in priority to the payment of any dividend with respect to TKC Common Shares. Such dividend shall be cumulative and was determined based on arm's length negotiation between the parties. After the payment of dividend to the respective holders of the TKC Preferred Shares and TKC Common Shares at the same dividend rate, any further dividends would be paid pari passu to the holders of the TKC Preferred Shares and TKC Common Shares on a pro rata basis.

If TKC declares and pays a stock dividend or issues bonus shares, it shall issue TKC Common Shares to the holders of the TKC Common Shares and TKC Preferred Shares to the holders of TKC Preferred Shares.

All accrued but unpaid dividends in respect of such TKC Preferred Shares shall be paid to the holders of the TKC Preferred Shares on the redemption of the TKC Preferred Shares.

Non-listing Redemption: Subject to any legal restrictions, in the event that a Qualified Offering does not occur within 36 months from the date of the purchase of the TKC Preferred Shares, holders of the TKC Preferred Shares may require TKC to redeem all or part of the TKC Preferred Shares. The redemption price shall be calculated as the original purchase price paid for the TKC Preferred Shares (being KRW18,523 per TKC Preferred Share for NASS) plus a yield of 20.5% compound per annum accrued from the date of purchase of the TKC Preferred Shares up to and including the redemption date. Accordingly, the maximum redemption price of the TKC Preferred Shares receivable by NASS shall be KRW87.58 billion (equivalent to approximately HK$683.12 million).

On liquidation: In the event of liquidation, dissolution or winding-up of TKC, holders of the TCK Preferred Shares shall be entitled to receive, prior and in preference to any distribution of assets to holders of the TKC Common Shares, the original purchase price for the TKC Preferred Shares then held (adjusted for any consolidation, subdivision and the like subsequent to the issuance), together with the amount of any arrears of declared but unpaid dividends in respect of such TKC Preferred Shares.

If the assets available for distribution are insufficient for the aforesaid payment to the holders of the TKC Preferred Shares, the entire assets of TKC legally available for distribution shall be distributed rateably among holders of the TKC Preferred Shares based on their respective prices paid for such TKC Preferred Shares.

Non-conversion Put

NASS shall be granted the Non-conversion Put such that in the event that the conversion of its TKC Common Shares into TKC Preferred Shares does not occur within 30 days of the Closing Date due to SMG's default or due to the applicable laws or regulations, NASS shall have the right to require SMG to purchase all of the TKC Common Shares held by NASS. If the Non-conversion Put is exercised due to SMG's default, the purchase price shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum accrued for a period of 36 months from the Closing Date. If the Non-conversion Put is exercised due to the applicable laws or regulations, the purchase price shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum accrued from the Closing Date to the closing of the sale and purchase of the TKC Common Shares pursuant to the Non-conversion Put together with relevant expenses incurred by NASS or the Company. Date of closing for the sale and purchase of the TKC common Shares pursuant the Non-conversion Put shall be a date no later than 60 days from the date of notification by NASS of its intention to exercise the Non-conversion Put. Accordingly, the maximum price receivable by NASS on exercise of the Non-conversion Put shall be KRW109.85 billion (equivalent to approximately HK$856.83 million).

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

SMG Call Option

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

The SMG Call Option can be exercised by SMG once only, (i) after receipt of the approval from the relevant stock exchange for the Qualified Offering, during the 10 days from the 21st day to the 30th day before the Qualified Offering; or (ii) in the event that Qualified Offering does not occur within 36 months from the issue of the TKC Preferred Shares, during the 5 days after the receipt of the notice from TKC that the Qualified Offering will not occur. TKC shall send a notice in writing to holders of the TKC Preferred Shares no less than 30 days before 36 months from the date of issue of the TKC Preferred Shares notifying that the Qualified Offering will not occur. The SMG Call Option shall lapse if it is not exercised by SMG within the aforesaid exercise periods. The exercise price of the SMG Call Option shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum (inclusive of dividends received) accrued from the Closing Date and up to the date of the exercise of the SMG Call Option. Accordingly, the maximum price receivable by NASS on the exercise of the SMG Call Option by SMG shall be KRW54.93 billion (equivalent to approximately HK$428.45 million).

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

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

Non-listing Redemption

As a term of the TKC Preferred Shares and subject to any legal restrictions, in the event that a Qualified Offering does not occur within 36 months from the date of the purchase of the TKC Preferred Shares, holders of the TKC Preferred Shares may require TKC to redeem all or part of the TKC Preferred Shares. The redemption price shall be calculated as the original purchase price paid for the TKC Shares (being KRW18,523 per TKC Share for NASS) plus a yield of 20.5% compound per annum accrued from the date of purchase of the TKC Preferred Shares up to and including the redemption date. Accordingly, the maximum redemption price of the TKC Preferred Shares receivable by NASS shall be KRW87.58 billion (equivalent to approximately HK$683.12 million).

NASS Put Options to be granted to NASS

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

(i) in the event that TKC does not have sufficient distributable income or is otherwise unable to redeem all of the TKC Preferred Shares held by NASS according to the terms of the TKC Preferred Shares as described in the paragraph headed "Non-listing Redemption" above, NASS shall have the right to require SMG to purchase all the

TKC Shares held by NASS at the original purchase price (being KRW18,523 per TKC Share) plus a yield of 20.5% compound per annum accrued from the date of purchase of the TKC Preferred Shares up to and including the redemption date. Accordingly, the maximum consideration receivable by NASS shall be KRW87.58 billion (equivalent to approximately HK$683.12 million); and

(ii) in the event that the Shareholders' Agreement is terminated due to a breach by SMG of certain material terms of the Shareholders' Agreement, such as transfer restrictions of the TKC Shares, terms of the TKC Preferred Shares (including dividend policy), the maintenace of sufficient balance in a designated bank account for the purpose of dividend payment and redemption and certain other rights of NASS as a shareholder of TKC, NASS shall have the right to require SMG to purchase all the TKC Shares held by NASS at its original purchase price (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum (inclusive of dividends received) accrued for a period of 36 months from the Closing Date. Accordingly, the maximum consideration receivable by NASS shall be KRW109.85 billion (equivalent to approximately HK$856.83 million).

Redemption for breach by TKC

It is a term of the Shareholders' Agreement that upon the written request of NASS, SMG shall cause TKC to accede to the Shareholders' Agreement and abide by the terms thereof. If NASS exercises such right and in the event that the Shareholders' Agreement is terminated due to a breach by TKC, NASS shall have the right to require TKC to redeem all the TKC Shares held by NASS at its original purchase price (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum (inclusive of dividends received) accrued for a period of 36 months from the Closing Date. Accordingly, the maximum consideration receivable by NASS from TKC if NASS exercises the TKC Breach Redemption shall be KRW109.85 billion (equivalent to approximately HK$856.83 million).

Board composition

Pursuant to the Shareholders' Agreement, the number of directors of TKC appointed by NASS shall be in proportion to the aggregate holdings of the TKC Shares (on a fully converted basis) and, so long as NASS holds at least 5% of all the TKC Shares on a fully converted basis, at least one director shall be appointed by NASS. It is expected that immediately following Completion, the board of directors of TKC shall consist of 9 directors, with NASS having the right to designate 3 directors.

Additional financing

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

Other rights of NASS

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

GEM Listing Rules implications

The grant of the SMG Call Option, the exercise of the rights under each of the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption by NASS will constitute a possible very substantial disposal for the Company under the GEM Listing Rules and require the approval of the Shareholders. A separate circular will be issued and a separate special general meeting will be convened by the Company to seek Shareholders' approval of the aforesaid possible very substantial disposals. The Company shall also comply with the disclosure requirements under Rule 19.74 of the GEM Listing Rules on exercise of the SMG Call Option by SMG.

INFORMATION ON TKC

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

As set out in the accountants' report contained in Appendix II to this circular, TKC recorded net loss before and after tax of approximately HK$76.2 million and the net profit before and after tax of approximately HK$428.8 for the years ended 31st December 2006 and 2007 respectively. The audited consolidated net liability value of TKC attributable to the shareholders of TKC as at 31st December 2007 was approximately HK$690.5 million.

Upon Completion (regardless of whether the TKC Common Shares held by NASS are converted into TKC Preferred Shares), TKC will be accounted for as a jointly controlled entity of the Group.

REASONS FOR THE ACQUISITION

Given the wide application of polyester fiber, spandex and PET resin in the manufacturing sector, the Directors consider that the international demand for the products of TKC shall remain strong. With the established presence in the market, strong international customer network built up by the Former Company and the expertise and management in place, TKC is expected to contribute to the earnings base of the Group and be able to generate positive return to NASS by the distribution of dividend to the holders of the TKC Preferred Shares. In addition, the Group will be given various exit opportunities under the Shareholders' Agreement to secure a return on the investment in the Sale Shares. Based on the above, the Directors consider that the Acquisition is in the interest of the Company and the Shareholders as a whole and that the terms of the Agreement are fair and reasonable.

The Company has in December 2007 completed the placement of Preference Shares raising approximately HK$984.7 million (net of expenses) new capital. The new capital is intended to be used for future investment and working capital of the Group. The Group will apply part of the proceeds from the placement to fund the Acquisition, which is consistent with the aforesaid purpose of the placement as disclosed in the announcements of the Company dated 2nd November 2007 and 20th November 2007.

MANAGEMENT DISCUSSIONS ON TKC

Set out below is the summary of the financial data of TKC extracted from the accountants' report contained in Appendix II to this circular.

Financial and business performance

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'mn	*HK$'mn*	*HK$'mn*
	(audited)	(audited)	(audited)
Results			
Revenue	4,924.3	5,003.0	5,979.0
Gross profit	100.9	150.2	733.0
Profit/(loss) before tax	(211.0)	(76.2)	428.8
Profit/(loss) for the year	(211.0)	(76.2)	428.8

	As at 31st December		
	HK$'mn	*HK$'mn*	*HK$'mn*
	(audited)	(audited)	(audited)
Assets and Liabilities			
Non-current assets	1,260.5	1,145.2	956.4
Current assets	575.6	461.8	860.3
Current liabilities	1,441.9	1,266.0	2,300.5
Non-current liabilities	1,391.5	1,523.8	206.8
Net liabilities	997.2	1,182.7	690.5

Year ended 31st December 2005

Turnover for the year reached approximately HK$4,924.3 million with gross profit of approximately HK$100.9 million. During the year, turnover was affected by challenging industry factors for the polyester filament and spandex divisions. Product selling price for both polyester filament and spandex divisions decreased compared to 2004. Sales volume for spandex division also decreased compared to 2004. Gross profit was negatively affected by low spread margins (i.e. excess of average selling price over average raw material cost) for both the polyester and spandex divisions as product selling prices were affected by industry overcapacities. Operating expenses was approximately HK$280.9 million and represented approximately 5.7% of turnover. For the year, TKC achieved loss before tax and net loss of approximately HK$211.0 million.

Year ended 31st December 2006

Turnover for the year reached approximately HK$5,003.0 million with gross profit of approximately HK$150.2 million, representing a 1.6% and 48.9% increase respectively compared to 2005. This is due to an appreciation of the KRW against our reporting currency HK$. In KRW terms, turnover decreased by 4.7% compared to 2005, while gross profit increased by 39.6% compared to 2005. The decrease in turnover was attributed to decrease in the sales volume for polyester filament and PET resin divisions. These factors offset the increase in product selling price for all 3 divisions and also an increase in sales volume for the spandex division. Gross profit growth was mainly contributed by an increase in the spread margin for spandex division as average selling price increased more than average raw material cost. The increase in spread margin for spandex division offset the decrease in spread margins for polyester filament and PET resin divisions. Operating expenses decreased by approximately HK$56.9 million, representing a 20.3% decrease compared to 2005. In KRW terms, operating expenses also decreased by 25.2% compared to 2005. With costs control, operating expenses fell at a faster rate relative to turnover in KRW. Net loss narrowed to approximately HK$76.2 million, compared to a net loss of approximately HK$211.0 million in 2005.

Year ended 31st December 2007

Turnover for the year reached approximately HK$5,979.0 million with gross profit of approximately HK$733.0 million, representing an increase of approximately 19.5% and 388.0% respectively compared to those in 2006. During the year, the KRW continued to appreciate against HK$. In KRW terms, turnover and gross profit increased by approximately 15.2% and 370.7% respectively as compared to those in 2006. The turnover growth was contributed by an increase in volume and product selling price for the spandex, and PET resin divisions and an increase in product selling price for polyester filament division. Gross profit growth was mainly contributed by an increase in the spread margins for the Business Divisions as average selling prices increased more than average raw material costs. Operating expenses increased by approximately HK$18.9 million, representing an increase of approximately 8.5% compared to 2006. With costs control, operating expenses increased at a slower rate relative to turnover. Based on the above, net profit was approximately HK$428.8 million, compared to a net loss of approximately HK$76.2 million in 2006.

Financial resources and liquidity

TKC's capital structure as at 31st December 2007 consisted of negative shareholders' equity of approximately HK$690.5 million and bank borrowings of approximately HK$1,504.6 million, compared to negative shareholders' equity of approximately HK$1,182.7 million and bank borrowings of approximately HK$1,601.6 million as at 31st December 2006, and negative shareholder's equity of approximately HK$997.2 million and bank borrowings of approximately HK$1,412.5 million as at 31st December 2005. Debt-to-adjusted capital ratio (total interest-bearing bank borrowings as shown in the balance sheet less cash and cash equivalents, and then divided by adjusted capital which comprises all components of equity) as at 31st December 2005, 2006 and 2007 were approximately 1.31, 1.32 and 1.86 respectively.

As at 31st December 2007, TKC's current assets amounted to approximately HK$860.3 million, representing an increase of approximately 86.3% over 2006. The increase was due to an increase in turnover, which resulted in an increase in inventories and trade receivables, and also an increase in ending cash balance. During the year, TKC generated cash from operating activities of approximately HK$300.0 million.

Fixed assets amounted to approximately HK$934.8 million as at 31st December 2007 with additions of approximately HK$64.1 million during the year which were funded by internal resources.

As at 31st December 2007, TKC's current liabilities was approximately HK$2,300.5 million, representing an increase of approximately 81.7% over 2006. The increase was mainly due a reclassification of its long term bank borrowings as current liabilities.

Cash and cash equivalents

As at 31st December 2007, TKC had cash and cash equivalents of approximately HK$219.5 million and there was no pledged deposits.

Investments

As at 31st December 2007, TKC did not have any material investments.

Foreign currency exposure

TKC's businesses are primarily transacted in US$ and Euro. The foreign currency exposure of TKC is mainly driven by its business operations. Sales receipts and payments for purchases are mainly denominated in US$ and Euro, while its operating expenses are mainly denominated in KRW. TKC attempts to minimize its foreign exchange exposure through matching its operating costs and payments for purchases against its sales receipts.

Number of employees and remuneration policies

As at 31st December 2007, TKC had about 825 employees. Total staff costs incurred during the year 2007 amounted to approximately HK$312.9 million, compared to approximately HK$269.4 million and HK$296.1 million incurred during the years 2006 and 2005 respectively. TKC's remuneration policy includes base pay, bonus, and other forms of allowance.

Prospects of TKC

Given the wide application of polyester fiber, PET resin and spandex in the manufacturing sector, the Directors consider that the international demand for the products of TKC shall remain strong. With the established presence in the market, strong international customer network built up by the Former Company and the expertise and management in place, it is expected that the prospects of TKC is promising.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

The Group had an unaudited net asset value of approximately HK$1,206.9 million as at 30th September 2007. The Group intends to satisfy the consideration in cash by internal resources (including the proceeds from the placement of Preference Shares completed in December 2007) and therefore the Acquisition would not have any effect on the net asset value of the Group, save for the expenses incurred for the Acquisition. Upon Completion, TKC will be accounted for as a jointly controlled entity by the Group. For illustrative purpose, a goodwill of approximately HK$267.5 million will arise from the Acquisition upon Completion as shown in the pro forma financial information contained in Appendix III to this circular. It should be noted that the finalized amount of goodwill to be recorded will depend on the fair value of the net assets of TKC to be determined on Completion.

As TKC will be accounted for as a jointly controlled entity of the Group upon Completion, 33.74% of the income and expenses, assets and liabilities of TKC will be consolidated into the accounts of the Group. Given the historical profitability of the Business Divisions, it is expected that the Acquisition would further diversify the business of the Group and enhance its earning base in the future.

GEM LISTING RULES IMPLICATION OF THE ACQUISITION

The Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules and requires the approval of the Shareholders. The Special General Meeting will be convened to seek approval from the Shareholders for the Acquisition. Upon execution of the Shareholders' Agreement and subject to, among other things, Shareholders' approval, each of the grant of the SMG Call Option, the exercise of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption constitutes a possible very substantial disposal of the Company under the GEM Listing Rules. A separate circular will be issued and a separate special general meeting will be convened by the Company to seek Shareholders' approval of the aforesaid possible very substantial disposals.

As no Shareholder has interests in the Agreement which are different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the Special General Meeting regarding the Acquisition. To facilitate the transactions contemplated under the Agreement, Mr. Tsang and NASAC together held approximately 67.2% of the existing issued Shares, have undertaken to the creditors that they will vote in favour of the resolution to be proposed in the Special General Meeting to approve, inter alia, the Agreement and the transactions contemplated thereunder.

SPECIAL GENERAL MEETING

Set out in this circular is a notice convening the Special General Meeting to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 30th June 2008 at which a resolution will be proposed to approve the Acquisition.

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

RECOMMENDATION

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

GENERAL

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

For and on behalf of
North Asia Strategic Holdings Limited
Henry Kim Cho
Deputy Chairman and Executive Director

1. FINANCIAL SUMMARY

The following is a summary of the consolidated financial information of the Group for the three years ended 31st March 2007, as extracted from the relevant annual reports of the Company.

Results

	Year ended 31st March		
	2005	**2006**	**2007**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	859,685	359,948	559,327
(Loss)/Profit before income tax	(4,497)	(16,995)	69,736
Income tax (expense)/credit	(5,946)	5,007	(2,989)
(Loss)/Profit after income tax but before minority interests	(10,443)	(11,988)	66,747
Minority interests	—	—	—
(Loss)/Profit attributable to the equity holders of the Company	(10,443)	(11,988)	66,747
(Loss)/Profit per Share — Basic	HK(65.4) cents	HK(17.7) cents	HK69.7 cents

Assets and Liabilities

	As at 31st March		
	2005	**2006**	**2007**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Total assets	165,748	1,105,190	1,694,220
Total liabilities	(163,611)	(55,595)	(462,880)
Shareholders' equity	2,137	1,049,595	1,231,340

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 36 to 126 of the annual report of the Company for the year ended 31st March 2007. References to page numbers in this section are to the page numbers of such annual report of the Company.

"Consolidated Income Statements
For the year ended 31st March 2007

		For the year ended 31st March	
		2007	**2006**
	Note	*HK\$'000*	*HK\$'000*
Revenue	*5*	559,327	359,948
Cost of sales	*23*	(481,974)	(354,154)
Gross profit		77,353	5,794
Other gains — net	*22*	5,676	3,344
Selling and distribution expenses	*23*	(20,425)	(2,180)
General and administration expenses	*23*	(75,726)	(22,364)
Finance income	*25*	90,021	1,707
Finance costs	*25*	(7,163)	(3,296)
Profit/(Loss) before income tax		69,736	(16,995)
Income tax (expenses)/credit	*26*	(2,989)	5,007
Profit/(Loss) attributable to the equity holders of the Company for the year	*27*	66,747	(11,988)
Profit/(Loss) per share attributable to the equity holders of the Company for the year	*28*		
— Basic		HK69.7 cents	HK(17.7) cents
— Diluted		HK0.85 cents	N/A

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

Balance Sheets

As at 31st March 2007

		As at 31st March			
		Consolidated		Company	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	6	36,014	478	—	—
Investment properties	7	2,206	—	—	—
Leasehold land and land use rights	8	11,869	—	—	—
Intangible assets	9	432,279	6	—	—
Investments in and amounts due from subsidiaries	10	—	—	589,435	—
Jointly controlled entity	11	—	—	—	—
Subscription receivables, non-current portion	20	282,211	494,135	282,211	494,135
Total non-current assets		764,579	494,619	871,646	494,135
Current assets					
Inventories	12	270,430	26,399	—	—
Trade receivables	13	129,291	115	—	—
Prepayments, deposits and other receivables	14	38,468	16,745	658	707
Amounts due from subsidiaries	34	—	—	—	3,000
Subscription receivables, current portion	20	—	271,410	—	271,410
Pledged bank deposits	15	49,899	3,055	—	—
Cash and cash equivalents	15	441,553	292,847	365,955	289,941
Total current assets		929,641	610,571	366,613	565,058
Current liabilities					
Borrowings	16	(159,461)	—	—	—
Trade payables	17	(188,664)	(36,916)	—	—
Accruals and other payables	18	(20,090)	(2,545)	(1,325)	(1,920)
Amounts due to subsidiaries	34	—	—	(4,441)	—
Receipts in advance		(22,118)	(792)	—	—
Current income tax liabilities		(17,288)	(700)	—	—
Deferred subscription payables	30	(32,676)	—	—	—
Total current liabilities		(440,297)	(40,953)	(5,766)	(1,920)
Net current assets		489,344	569,618	360,847	563,138
Total assets less current liabilities		1,253,923	1,064,237	1,232,493	1,057,273

		As at 31st March			
		Consolidated		Company	
		2007	2006	2007	2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Borrowings	*16*	(4,538)	—	—	—
Convertible bonds	*19*	(15,712)	(14,642)	(15,712)	(14,642)
Deferred tax liabilities	*35*	(2,333)	—	—	—
Total non-current liabilities		(22,583)	(14,642)	(15,712)	(14,642)
Net assets		1,231,340	1,049,595	1,216,781	1,042,631
Equity					
Capital and reserves attributable to equity holders of the Company:					
Share capital	*20*	82,718	74,790	82,718	74,790
Reserves	*21*	1,148,622	974,805	1,134,063	967,841
Shareholders' equity		1,231,340	1,049,595	1,216,781	1,042,631

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

Consolidated Statement of Changes in Equity
For the year ended 31st March 2007

		Attributable to equity holders of the Company		
		Share capital	**Reserves**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2005		159,659	(157,522)	2,137
Loss for the year		—	(11,988)	(11,988)
Capital reorganisation	*20*	(159,529)	159,529	—
Issue of ordinary shares	*20 & 21*			
— upon exercise of warrants		30	—	30
— under a subscription agreement		639	9,361	10,000
— under an open offer		159	2,341	2,500
Issue of preference shares	*20 & 21*	73,832	980,760	1,054,592
Share issue expenses	*21*			
— ordinary shares		—	(2,182)	(2,182)
— preference shares		—	(12,173)	(12,173)
Convertible bonds				
— equity component	*19*	—	6,388	6,388
Translation adjustments		—	291	291
Balance at 31st March 2006 and 1st April 2006		74,790	974,805	1,049,595
Profit for the year		—	66,747	66,747
Issue of preference shares	*20 & 21*	7,928	106,271	114,199
Share issue expenses	*21*			
— preference shares		—	(741)	(741)
Translation adjustments		—	1,540	1,540
Balance at 31st March 2007		82,718	1,148,622	1,231,340

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

Consolidated Cash Flow Statements
For the year ended 31 March 2007

	Note	For the year ended 31st March 2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	29(a)	22,005	(6,028)
Interest paid		(6,093)	(2,266)
Mainland China enterprise income tax paid		(922)	—
Mainland China enterprise income tax refunded		—	172
Net cash generated from/(used in) operating activities		14,990	(8,122)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	30(a)	(462,284)	—
Increase in investment in jointly controlled entity, net of cash acquired	30(b)	(85,475)	—
Additions of property, plant and equipment		(2,652)	(113)
Cash disposed of by sale of subsidiaries, net of proceeds of sale	29(c)	—	(9,506)
Proceeds from disposal of property, plant and equipment	29(b)	4,729	15
Interest received		16,328	1,000
(Increase)/decrease in pledged bank deposits		(14,887)	13,025
Net cash (used in)/generated from investing activities		(544,241)	4,421
Cash flows from financing activities			
Issue of preference shares		93,120	289,050
Issue of convertible bonds		—	20,000
Issue of ordinary shares		—	12,530
Receipt of subscription receivables		578,102	—
Share issue expenses	21	(741)	(13,935)
New short-term bank loans		322,676	—
Repayment of short-term bank loans		(315,200)	(24,360)
Net cash generated form financing activities		677,957	283,285
Net increase in cash and bank balances			
Increase in cash and cash equivalents		148,706	279,584
Cash and bank balances at beginning of the year		292,847	13,263
Cash and bank balances at end of the year		441,553	292,847

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

Notes to the Financial Statements

1. GENERAL INFORMATION

North Asia Strategic Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") principally engaged in the following businesses:

- trading of surface mount technology ("SMT") assembly equipments, machinery and spare parts ("SMT trading") and provision of related installation, training, repair and maintenance services;
- 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;
- trading of steel products and provision of procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services); and
- investment holding.

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

The Company's ordinary shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

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

These financial statements have been approved for issue by the Company's Board of Directors on 21st June 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRS"). The financial statements have been prepared under the historical cost convention.

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

(a) ***Amendments and interpretations to published standards effective in 2007 and are relevant to the Group's operations***

The following amendment is mandatory for accounting periods beginning on or after 1st January 2006 and is relevant to the Group's operations:

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts" (effective for accounting periods beginning on or after 1st January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on these consolidated financial statements.

(b) ***Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations***

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment — Net Investment in a Foreign Operation;
- HKAS 19 Amendment — Employee Benefits;
- HKAS 39 Amendment — Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 The Fair Value Option;
- HKFRS 1 Amendment — First-time Adoption of Hong Kong Financial Reporting Standards;
- HKFRS 6 — Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4 — Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5 — Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6 — Liabilities arising from Participating In a Specific Market — Waste Electrical and Electronic Equipment.

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

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1st May 2006 or later periods that the Group has not early adopted.

- HKFRS 7 "Financial Instruments: Disclosures" (effective for accounting periods beginning on or after 1st January 2007), HKAS 1 "Amendments to Capital Disclosures" (effective for accounting periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 for accounting periods beginning from 1st April 2007.

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1st January 2009). HKFRS 8 supersedes HKAS 14, "Segment Reporting", which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply HKFRS 8 from 1st April 2009.

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for accounting periods beginning on or after 1st May 2006). HK(IFRIC)-Int 8 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 — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st April 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" (effective for accounting periods beginning on or after 1st June 2006). Management believes that this interpretations should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9. The Group will apply HK(IFRIC)-Int 9 from 1st April 2007.

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" (effective for accounting periods beginning on or after 1st November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an Interim period on goodwill. Investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st April 2007, but it is not expected to have any significant impact on the Group's financial statements.

- HK(IFRIC)-Int 11 "HKFRS 2 — Group and Treasury Share Transfer" (effective for accounting periods beginning on or after 1st March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1st April 2008 but it is not expected to have any significant Impact on the Group's financial statements.

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

The following interpretations to existing standards have been published that are mandatory for the accounting periods beginning on or after 1st March 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies" (effective from 1st March 2006) HK(IFRIC)-Int 7 provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations.

- HK(IFRIC)-Int 12, "Service Concession Arrangements" (effective for accounting periods beginning on or after 1st January 2008). This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

The adoption of the above amendments to standards and interpretations did not have any significant financial impact to the Group.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the balance sheet date.

(a) Subsidiaries

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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 using 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 entity that it is attributable to the other entities. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the Group's purchase of assets from the jointly controlled entity 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.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign 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 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 that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Property, plant and equipment

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

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

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

— Buildings	Over the shorter terms of lease or 40 years
— Leasehold improvements	3 to 10 years
— Machinery	10 years
— Plant and machinery and demonstration equipment	10 years
— Furniture and fixtures and office equipment	3 to 10 years
— Motor vehicles	3 to 5 years

Construction-in-progress is stated at cost. It is not depreciated until completion of construction and the asset is put into use. The cost of completed construction works is transferred to the appropriate categories of property, plant and equipment.

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

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

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

2.7 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.

2.8 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost represents consideration paid for the rights to use the land on which the investment properties are situated. Amortisation of leasehold land and land use rights is calculated on a straight-line basis over the period of the lease.

2.9 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 subsidiary or jointly controlled entity 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 cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units 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) Trademarks and licences, Non-compete agreements, Distribution agreements and Customer relationships

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

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

— Trademarks and licences	15 years
— Non-compete agreements	5-6 years
— Distribution agreements	3 years
— Customer relationships	3-4 years

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, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 within general and administration expenses.

2.12 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.

2.13 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.

2.14 Trade and other payables

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

2.15 Borrowings

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.

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 recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of tax.

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

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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, associates, 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.

2.17 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.

2.18 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 rate 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risk.

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

(a) Foreign exchange risk

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

(b) Credit risk

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

(c) Liquidity risk

The Group's primary cash requirements have been for payment of debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of funds generated from operations, issue of shares of the Company and bank borrowings. The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through committed credit facilities to meet its working capital requirements. The directors believe that the Group has maintained sufficient general banking facilities for financing capital commitments in the near future and for working capital purposes.

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

The Group has no significant interest-bearing assets except for the bank balances and borrowings. Bank balances and borrowings that are subject to variable rates expose the Group to cash flow interest rate risk. Borrowings that are subject to fixed rates expose the Group to fair value interest rate risk. The Company has not used any interest rate swaps to hedge its exposure to interest rate risk.

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets, including trade receivables, prepayments, deposits and other receivables and cash and cash equivalents, and the Group's currency financial liabilities, including borrowing, trade payables, accruals and other payables and receipts in advance approximate their fair values due to their short maturities.

The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assured to approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

4.1 Fair value of assets acquired and identifiable intangible assets

The Group's management determines the fair values of assets acquired and identifiable intangible assets based on estimates and assumptions concerning the future. These estimates and assumptions are based on current market information and historical experience, as assessed by management with reference to valuation reports prepared by professional independent valuers.

4.2 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.

4.3 Goodwill impairment assessment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9(a). For the purposes of impairment testing, goodwill acquired has been allocated to individual cash-generating units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating unit 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.

4.4 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.

4.5 Estimated recoverability of trade and other receivables

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

4.6 Income taxes

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

5. SEGMENT INFORMATION

	For the year ended 31st March 2007	2006
	HK$'000	*HK$'000*
Sales	554,646	355,426
Commission	4,681	4,522
	559,327	359,948

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, subscription receivables, inventories, trade receivables, prepayments, deposits and other receivables and operating cash.

Segment liabilities comprise operating liabilities and taxation.

Capital expenditures comprise additions to property, plant and equipment (note 6), including additions resulting from acquisitions through business combinations.

5.1 Primary reporting format — business segments

The Group is organised into four major business segments — SMT trading, fishmeal and fish oil, steel trading and procurement services for steel products, and investment holding. The SMT trading, fishmeal and fish oil, steel trading business segments derive revenue from the sale of goods. The procurement services for steel products business segment derives commission income from procurement and online steel trading services. The investment holding business segment derives revenue from dividend income.

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

	SMT trading	Fishmeal and fish oil	Steel trading and procurement services	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	394,023	101,503	63,801	—	559,327
Segment results	17,746	2,876	(963)	(24,095)	(4,436)
Other gains — net	3,767	1,414	160	335	5,676
Unallocated expenses					(14,362)
Finance income					90,021
Finance costs					(7,163)
Profit before income tax					69,736
Income tax expense					(2,989)
Profit for the year					66,747

The segment assets and liabilities as at 31st March 2007, and capital expenditures, depreciation and amortisation for the year ended 31st March 2007 are as follows:

	SMT trading	Fishmeal and fish oil	Steel trading and procurement services	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	1,060,056	343,664	8,283	282,211	1,694,214
Unallocated assets					6
					1,694,220
Liabilities					
Segment liabilities	(226,204)	(226,279)	(933)	—	(453,416)
Unallocated liabilities					(9,464)
					(462,880)
Capital expenditures:					
— Additions	554	2,098	—	—	2,652
— Additions upon acquisition of subsidiaries	17,739	—	—	—	17,739
— Additions upon subscription of shares in a jointly controlled entity	—	19,148	—	—	19,148
					39,539
Depreciation and amortisation	6,324	1,546	6	—	7,876
Unallocated					80
					7,956

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

	Steel trading and procurement services *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
Turnover			
— Sales to external customers	359,948	—	359,948
Segment results	(1,861)	(9,577)	(11,438)
Other gains — net	3,340	4	3,344
Unallocated expenses			(7,312)
Finance income			1,707
Finance costs			(3,296)
Loss before income tax			(16,995)
Income tax credit			5,007
Loss for the year			(11,988)

The segment assets and liabilities at 31st March 2006, and capital expenditures, depreciation and amortisation for the year ended 31st March 2006 are as follows:

	Steel trading and procurement services *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
Assets			
Segment assets	48,561	1,056,193	1,104,754
Unallocated assets			436
			1,105,190
Liabilities			
Segment liabilities	(38,311)	(16,580)	(54,891)
Unallocated liabilities			(704)
			(55,595)
Capital expenditures	64	—	64
Unallocated			49
			113
Depreciation and amortisation	382	—	382
Unallocated			6
			388

There are no significant sales between these business segments during the year (2006: Nil).

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

5.2 Secondary reporting format — geographical segments

The Group's activities are conducted predominantly in Hong Kong and the Mainland China. Turnover by geographical segments 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 segment results for the year ended 31st March 2007 are analysed as follows:

	Hong Kong	**Mainland China**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	34,633	519,334	5,360	559,327
Segment results	(23,594)	19,826	(668)	(4,436)
Other gains — net	4,107	1,569	—	5,676
Unallocated expenses				(14,362)
Finance income				90,021
Finance costs				(7,163)
Profit before income tax				69,736

The segment assets at 31st March 2007, and capital expenditures for the year ended 31st March 2007 and geographical segment results for the year ended 31st March 2006 are as follows:

	For the year ended 31st March 2007			
	Hong Kong	**Mainland China**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	947,019	698,541	48,660	1,694,220
Capital expenditures:				
— Additions	350	2,098	204	2,652
— Additions upon acquisition of subsidiaries	17,739	—	—	17,739
— Additions upon subscription of shares in a jointly controlled entity	—	19,148	—	19,148
				39,539

	For the year ended 31st March 2006			
		Mainland		
	Hong Kong	**China**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover — Sales to external customers	3,184	356,764	—	359,948
Segment results	(9,577)	(993)	(868)	(11,438)
Other gains	—	3,344	—	3,344
Unallocated expenses				(7,312)
Finance income				1,707
Finance costs				(3,296)
Loss before income tax				(16,995)

The segment assets at 31st March 2006, and capital expenditures for the year ended 31st March 2006 are as follows:

		Mainland		
	Hong Kong	**China**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,059,151	45,971	68	1,105,190
Capital expenditures	49	64	—	113

There are no significant sales between these geographical segments (2006: Nil).

6. PROPERTY, PLANT AND EQUIPMENT — CONSOLIDATED

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery and demonstration machinery	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005							
Cost	—	—	2,756	1,779	—	—	4,535
Accumulated depreciation	—	—	(2,279)	(845)	—	—	(3,124)
Net book amount	—	—	477	934	—	—	1,411
Year ended 31st March 2006							
Opening net book amount	—	—	477	934	—	—	1,411
Additions	—	8	105	—	—	—	113
Disposals	—	—	(28)	(10)	—	—	(38)
Disposal of subsidiaries	—	—	(140)	(495)	—	—	(635)
Depreciation	—	(1)	(264)	(108)	—	—	(373)
Closing net book amount	—	7	150	321	—	—	478
At 31st March 2006							
Cost	—	8	2,476	804	—	—	3,288
Accumulated depreciation	—	(1)	(2,326)	(483)	—	—	(2,810)
Net book amount	—	7	150	321	—	—	478
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
Additions upon subscription of shares in a jointly controlled entity	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 inventory	—	—	—	—	2,918	—	2,918
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

Depreciation expense of HK$1,158,000 (2006: HK$373,000) has been included in general and administration expenses, and HK$859,000 (2006: Nil) in cost of sales.

The net book value of the Group's motor vehicles and demonstration equipment held under finance leases as at 31st March 2007 amounted to HK$26,000 (2006: Nil) and HK$1,278,000 (2006: Nil) respectively.

7. INVESTMENT PROPERTIES — CONSOLIDATED

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Additions upon subscription of shares in a jointly controlled entity	2,200	—
Depreciation	(18)	—
Exchange realignments	24	—
Closing net book amount	2,206	—
At 31st March 2007		
Cost	2,226	—
Accumulated depreciation	(20)	—
Net book amount	2,206	—

The share of the fair value of the Group's investment properties is HK$2,320,000 (2006: Nil), 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 firm of professional valuers, by reference to market evidence of transaction prices for similar properties.

The Group's investment properties are situated in Mainland China under medium-term land use right. All of the Group's investment properties are held for rental purposes under operating leases.

8. LEASEHOLD LAND AND LAND USE RIGHTS — CONSOLIDATED

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

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of between 10 to 50 years	5,816	—
In Macau held on:		
Leases of over 50 years	581	—
In Mainland China held on:		
Leases of between 10 to 50 years	5,472	—
	11,869	—

Movements are as follows:

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Additions upon subscription of shares in a jointly controlled entity	11,857	—
Amortisation of leasehold land and land use rights	(60)	—
Exchange realignments	72	—
	11,869	—

9. INTANGIBLE ASSETS — CONSOLIDATED

	Goodwill	Trademarks	Non-compete agreements	Distribution agreements	Customer relationship	Website development costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005							
Cost	—	—	—	—	—	33,369	33,369
Accumulated amortisation and impairment	—	—	—	—	—	(33,348)	(33,348)
Net book amount	—	—	—	—	—	21	21
Year ended 31st March 2006							
Opening net book amount	—	—	—	—	—	21	21
Amortisation charge	—	—	—	—	—	(15)	(15)
Closing net book amount	—	—	—	—	—	6	6
At 31st March 2006							
Cost	—	—	—	—	—	33,369	33,369
Accumulated amortisation and impairment	—	—	—	—	—	(33,363)	(33,363)
Net book amount	—	—	—	—	—	6	6
Year ended 31st March 2007							
Opening net book amount	—	—	—	—	—	6	6
Additions upon acquisition of subsidiaries	373,692	—	60	16,750	19,010	—	409,512
Additions upon subscription of shares in a jointly controlled entity	6,571	15,600	51	—	6,400	—	28,622
Amortisation charge	—	(347)	(8)	(2,326)	(3,174)	(6)	(5,861)
Closing net book amount	380,263	15,253	103	14,424	22,236	—	432,279
At 31st March 2007							
Cost	380,263	15,600	111	16,750	25,410	33,369	471,503
Accumulated amortisation and impairment	—	(347)	(8)	(2,326)	(3,174)	(33,369)	(39,224)
Net book amount	380,263	15,253	103	14,424	22,236	—	432,279

Amortisation of approximately HK$5,861,000 (2006: HK$15,000) is included in general and administration expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segment.

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

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
SMT trading	373,692	—
Fishmeal and fish oil	6,571	—
	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	13.7%	12.3%
Growth rate	20.0%	9-54%
Discount rate	12.75%	14%

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

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

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

10. 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:

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	—	3,500
Amounts due from subsidiaries	589,435	145,308
Less: Accumulated impairment losses	—	(148,808)
	589,435	—

The following is a list of subsidiaries as at 31st March 2007:

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
Ace Level Investments Limited *(i)*	British Virgin Islands, limited liability company	Dormant	1 ordinary share of US$1 each	100%
American Tec Company Limited	Hong Kong, limited liability company	Trading of SMT equipments	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 (formerly known as Autron India Private Limited)	India, limited liability company	Provision of machinery installation, training, business promotion, repair and maintenance services	1,756,434 ordinary shares of INR10 each	100%
Autron American Technology Company Limited *(ii)*	Mainland China, limited liability company	Dormant	US$200,000	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%
i-AsiaB2B Group Limited *(i)*	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%
ISA Group Holdings Limited	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary shares of US$1 each	100%

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital/ registered capital	Percentage of equity interest held by the Group
iSteel Holdings (B.V.I.) Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%
iSteel (MT) Holdings Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%
iSteelAsia (Hong Kong) Limited	Hong Kong, limited liability company	Operation of an e-commerce vertical portal business for online steel trading	2 ordinary shares of HK$1 each	100%
iSteelAsia Limited	British Virgin Islands, limited liability company	Operation of an e-commerce vertical portal business for online steel trading	10 ordinary shares of US$1 each	100%
iSteelAsia Logistics Macao Commercial Offshore Company Limited	Macau, limited liability company	Trading of steel	1 ordinary share of MOP100,000 each	100%
MetalAsia Holdings Limited	British Virgin Islands, limited liability company	Investment holding	2,000 ordinary shares of US$1 each	100%
Metal Logistics Company Limited	Hong Kong, limited liability company	Trading of steel and provision of procurement services	4 ordinary shares of HK$1 each	100%
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	Dormant	1 ordinary share of HK$1 each	100%
Shanghai iSteelAsia International Limited *(ii)*	Mainland China, limited liability company	Trading of steel	US$200,000	100%

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
Shenzhen Autron American Tec Company Limited *(iii)*	Mainland China, limited liability company	Trading of electronic products, machinery 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%
Tianjin American Tec Trading Company Limited *(ii)*	Mainland China, limited liability company	Trading of electronic products, machinery and spare parts and provision of repair and installation services	US$200,000	100%
Tianjin iSteelAsia International Limited *(ii)*	Mainland China, limited liability company	Trading of steel	US$200,000	100%
Upward Move Limited	Hong Kong, limited liability company	Trading	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	Trading of steel	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) There are domestic enterprises established in Mainland China to operate for periods from 20 to 50 years up to 2024 to 2056.

11. JOINTLY CONTROLLED ENTITY — CONSOLIDATED

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

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Assets		
Long-term assets	34,927	—
Current assets	280,997	—
	315,924	—
Liabilities		
Long-term liabilities	(4,380)	—
Current liabilities	(189,222)	—
	(193,602)	—
Net assets	122,322	—

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Revenue	104,660	—
Cost of sales, selling and distribution expenses, general and administration expenses, finance costs and taxation	(100,256)	—
Profit after income tax	4,404	—

There are no capital commitment and contingent liabilities relating to the Group's interest in the jointly controlled entity as at 31st March 2007.

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

	HK$'000
Property, plant and equipment	
Contracted but not provided for	2,853
Authorised but not contracted for	686
	3,539

There are no contingent liabilities relating to the jointly controlled entity and its subsidiaries as at 31st March 2007.

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

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**
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 ordinary shares of HK$1.00 each	40%
Coland Management Limited	Hong Kong, limited liability company	Dormant	10 ordinary shares of HK$1.00 each	40%
Coland Shipping Limited	Hong Kong, limited liability company	Provision of shipping agency services	10 ordinary shares of HK$1.00 each	40%
Fujian Coland Enterprises Co., Ltd.*(i)*	Mainland China, limited liability company	Processing and distribution of fishmeal and fish oil, property holding, investment holding	RMB52,000,000	40%
Fuzhou Economic Technical Development Zone Coland Feeds Co., Ltd.*(ii)*	Mainland China, limited liability company	Manufacture and sales of aquatic feeds	US$2,500,000	40%

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
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%
Fuzhou Free Trade Zone Coland Bioengineering Co., Ltd.*(ii)*	Mainland China, limited liability company	Refining and sale of fish oil	US$1,000,000	40%
Ocean Resource Macao Commercial Offshore Limited (formerly known as Coland Macao Commercial Offshore Limited)	Macao, limited liability company	Sourcing of fishmeal and fish oil, property holding	MOP500,000	40%
Rising Trend International Limited	British Virgin Islands, limited liability company	Investment holding	6,290 shares of US$1.00 each	40%
Joint Group Limited	British Virgin Islands, limited liability company	Investment holding	600 shares of US$1.00 each	40%
Wuhan Coland Feed Co., Ltd.*(i)*	Mainland China, limited liability company	Processing and distribution of aquatic feeds	US$1,800,000	40%
Wuhan Coland Seafood Co., Ltd *(i)*	Mainland China, limited liability company	Refining & distribution of seafood	US$2,100,000	40%

(i) These companies are wholly foreign owned enterprises.

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

12. INVENTORIES — CONSOLIDATED

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials:		
— Fishmeal	122,747	—
— Fish oil	28,491	—
Finished goods:		
— Aquatic feeds	5,604	—
Trading merchandise:		
— Spare parts	72,812	—
— Machinery	48,179	—
— Rolled flat steel products	—	26,399
Consumables	2,492	—
Less: Provision for inventories	(9,895)	—
	270,430	26,399

The cost of inventories recognised as expense and included in cost of goods sold amounted to approximately HK$469,242,000 (2006: HK$354,154,000).

Inventories provision written back included in cost of goods sold amounted to approximately HK$188,000 (2006: Nil).

13. TRADE RECEIVABLES — CONSOLIDATED

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	136,158	589
Less: Provision for impairment of receivables	(6,867)	(474)
	129,291	115

The Group generally requires letter of credit or documents against payment, with some cases granting a credit period of 30 to 90 days. Aging analysis of trade receivables is as follows:

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
0 to 90 days	90,174	—
91 to 180 days	19,867	—
181 to 270 days	13,912	115
271 to 365 days	2,776	—
Over 365 days	9,429	474
	136,158	589

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.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31st March			
	Consolidated		**Company**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	7,227	91	458	—
Deposits to suppliers	24,006	102	—	—
Rental deposits	1,539	226	—	—
Interest receivable	200	707	200	707
Amounts due from former subsidiaries	—	15,392	—	—
Balance of consideration for disposal of subsidiaries	—	98	—	—
Finance lease receivables	4,539	—	—	—
Other receivables	957	129	—	—
	38,468	16,745	658	707

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Finance lease receivables are analysed as follows:		
Finance leases — gross receivables	4,956	—
Unearned finance income	(417)	—
	4,539	—
Finance leases receivables:		
No later than 1 year	4,539	—

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

15. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31st March			
	Consolidated		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	77,159	10,748	1,561	7,842
Short-term bank deposits	364,394	282,099	364,394	282,099
	441,553	292,847	365,955	289,941
Pledged bank deposits	49,899	3,055	—	—
	491,452	295,902	365,955	289,941

As at 31st March 2007, the effective interest rate on short-term bank deposits was approximately 4% (2006: 4%) per annum; these deposits have an average maturity of 14 days (2006: 30 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 1.6% (2006: 4.3%) per annum, these deposits have an average maturity of 238 days (2006: 182 days).

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

	As at 31st March			
	Consolidated		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	376,119	291,555	365,947	289,933
US dollar	58,792	4,173	8	8
Renminbi ("RMB")	51,008	174	—	—
Others	5,533	—	—	—
	491,452	295,902	365,955	289,941

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

16. BORROWINGS — CONSOLIDATED

Borrowings are analysed as follows:

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Bank borrowings *(Note (a))*	161,516	—
Finance lease obligations *(Note (b))*		
Long-term finance lease obiligations	2,483	—
Total borrowings	163,999	—
Less: Non-current portion	(4,538)	—
Current portion	159,461	—

(a) Bank borrowings

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Non-current		
Mortgage loan — secured	4,380	—
Current		
Trust receipts loan — secured	110,256	—
Bank borrowings — unsecured	46,041	—
Mortgage loan — secured	839	—
	157,136	—
Total bank borrowings	161,516	—

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

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong Dollar	11,989	—
US Dollar	83,465	—
RMB	27,780	—
Yen	33,857	—
Euro	4,425	—
	161,516	—

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

	2007				
	HK$	*US$*	*RMB*	*Yen*	*Euro*
Trust receipts loan	7.50%	7.27%	5.58%	3.19%	6.17%
Bank borrowings	—	6.45%	6.37%	—	—
Mortgage loan	6.54%	—	—	—	—

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

Bank loans denominated in HK$, US$, Yen and Euro are being charged interest at floating rates at HIBOR/LIBOR plus 1.25% to 2% per annum or at Prime Rates offered by various banks between less 2.5% to plus 0.5%.

Bank loans denominated in RMB are being charged interest at floating rates between LIBOR plus 0.8% and LIBOR plus 2% per annum and fixed rates between 5.58% and 7.956%.

The maturity of bank borrowings is as follows:

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Wholly repayable within 5 years	156,298	—
Not wholly repayable within 5 years	5,218	—
	161,516	—

The borrowings are repayable as follows:

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Within 1 year	157,136	—
Between 1-2 years	897	—
Between 2-5 years	2,523	—
Over 5 years	960	—
	161,516	—

(b) Finance lease obligations

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

	2007	2006
	HK$'000	*HK$'000*
Finance lease liabilities — minimum lease payments:		
— Within 1 year	2,368	—
— Between 1 to 2 years	158	—
Present value of finance lease obligations	2,526	—
Future finance charges on finance leases	(43)	—
	2,483	—
The present value of finance lease liabilities is as follow:		
— Within 1 year	2,325	—
— Between 1 to 2 years	158	—
	2,483	—

17. TRADE PAYABLES — CONSOLIDATED

The aging analysis of trade payables is as follows:

	As at 31st March	
	2007	2006
	HK$'000	*HK$'000*
0 to 90 days	151,640	36,916
91 to 180 days	18,210	—
181 to 270 days	15,271	—
271 to 365 days	3,086	—
1 to 2 years	457	—
	188,664	36,916

18. ACCRUALS AND OTHER PAYABLES

	As at 31st March			
	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrual for operating expenses	16,666	2,020	1,325	1,920
Other payables	3,424	525	—	—
	20,090	2,545	1,325	1,920

19. CONVERTIBLE BONDS

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

The bonds will mature in August 2010 or can be converted into a total of approximately 127,714,000 shares in the Company, with a par value of HK$0.01 each, at the holders' option, at HK$0.1566 per share. In addition, the holders have the right to request the Group to redeem in whole or in part the outstanding bonds on 7th December 2007.

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

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

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'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 at 8th August 2005	13,612	13,612
Accrued interest expense	2,100	1,030
Liability component at 31st March 2007	15,712	14,642

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

Accrued interest expense recognised as expense and included in finance costs amounted to approximately HK$1,070,000 (2006: HK$1,030,000).

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

20. 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 2006 and 2007	40,000,000	400,000	30,000,000	300,000	700,000
Analysed as —					
Ordinary shares of HK$0.01 each	40,000,000	400,000	—	—	400,000
Preference shares of HK$0.01 each	—	—	30,000,000	300,000	300,000
	40,000,000	400,000	30,000,000	300,000	700,000
Issued					
At 1st April 2005	1,596,590	159,659	—	—	159,659
Capital reorganisation	(1,580,919)	(159,529)	—	—	(159,529)
Issuance of ordinary shares					
— upon exercise of warrants	298	30	—	—	30
— under a subscription agreement	63,857	639	—	—	639
— under an open offer	15,969	159	—	—	159
Issue of preference shares	—	—	7,383,167	73,832	73,832
At 31st March 2006	95,795	958	7,383,167	73,832	74,790
Issue of preference shares	—	—	792,847	7,928	7,928
At 31st March 2007	95,795	958	8,176,014	81,760	82,718

In February and March 2006, the Company issued a total of approximately 7,383,167,000 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placement, for an aggregated amount of approximately HK$1,156,200,000 ("First Tranche").

In September 2006, the Company issued a total of approximately 792,847,000 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placement, for an aggregated amount of approximately HK$124,164,000 ("Second Tranche").

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

In the event that the subscription monies 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 on 26th September 2005 (as amended and restated on 30th December 2005), the Company shall be entitled to require the relevant amount of installment 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. The second installment and third installment of the subscription price have been received by the Company in October and December 2006 respectively.

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

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

	As at 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Subscription receivables	991,313	867,153
Less: Future interest	(111,573)	(101,608)
Add: Amortised interest income	73,693	—
	953,433	765,545
Less: Subscriptions received	(671,222)	—
Subscription receivables	282,211	765,545
Less: Non-current portion	(282,211)	(494,135)
Current portion	—	271,410

The carrying amounts of subscription receivables approximate to their fair values.

Interest income on the subscription receivables is calculated using the effective interest method by applying the effective interest rate of 6.5% per annum.

21. RESERVES

Consolidated

Movements are:

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible bonds *HK$'000*	Capital reserve *HK$'000*	Cumulative translation adjustments *HK$'000*	Accumulated (losses)/ profit *HK$'000*	Total *HK$'000*
Balance at 1st April 2005	11,099	—	—	2,700	19	(171,340)	(157,522)
Loss attributable to equity holders of the Company	—	—	—	—	—	(11,988)	(11,988)
Capital reorganisation	(11,099)	170,628	—	—	—	—	159,529
Elimination of accumulated losses	—	(161,644)	—	—	—	161,644	—
Issue of ordinary shares							
— under a subscription agreement	9,361	—	—	—	—	—	9,361
— under an open offer	2,341	—	—	—	—	—	2,341
Issue of preference shares	980,760	—	—	—	—	—	980,760
Share issue expenses							
— ordinary shares	(2,182)	—	—	—	—	—	(2,182)
— preference shares	(12,173)	—	—	—	—	—	(12,173)
Convertible bonds							
— equity component	—	—	6,388	—	—	—	6,388
Translation adjustments — net	—	—	—	—	291	—	291
Balance at 31st March 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
Balance at 31st March 2007	1,083,637	8,984	6,388	2,700	1,850	45,063	1,148,622

Company

Movements are:

	Share premium	Contribution surplus	Convertible bonds	Accumulated (losses)/ profit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2005	11,099	—	—	(161,644)	(150,545)
Loss attributable to equity holders of the Company	—	—	—	(25,638)	(25,638)
Capital reorganisation	(11,099)	170,628	—	—	159,529
Elimination of accumulated losses	—	(161,644)	—	161,644	—
Issue of ordinary shares					
— under a subscription agreement	9,361	—	—	—	9,361
— under an open offer	2,341	—	—	—	2,341
Issue of preference shares	980,760	—	—	—	980,760
Share issue expenses					
— ordinary shares	(2,182)	—	—	—	(2,182)
— preference shares	(12,173)	—	—	—	(12,173)
Convertible bonds — equity component	—	—	6,388	—	6,388
Balance at 31st March 2006	978,107	8,984	6,388	(25,638)	967,841
Profit attributable to equity holders of the Company	—	—	—	60,692	60,692
Issue of preference shares	106,271	—	—	—	106,271
Share issue expenses					
— preference shares	(741)	—	—	—	(741)
Balance at 31st March 2007	1,083,637	8,984	6,388	35,054	1,134,063

22. OTHER GAINS — NET

	For the year ended 31st March 2007	2006
	HK$'000	*HK$'000*
Write-back of provision for claim	—	2,977
Profit on disposal of subsidiaries	—	98
Exchange gain	4,597	—
Others	1,079	269
	5,676	3,344

23. EXPENSES BY NATURE

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

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Cost of inventories sold	469,242	354,154
Write-back of provision for inventories	(188)	—
Depreciation of property, plant and equipment	2,017	373
Amortisation of leasehold land and land use rights	60	—
Depreciation of investment properties	18	—
Amortisation of intangible assets	5,861	15
Employment costs	23,559	6,139
Operating lease rental of premises	3,016	1,186
Impairment of trade receivables	2,251	21
Auditors' remuneration	1,720	900
Loss on disposal of property, plant and equipment	396	23
Other expenses	70,173	15,887
Total cost of sales, selling and distribution expenses and general and administration expenses	578,125	378,698

24. EMPLOYMENT COSTS

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries, wages and allowances	23,216	6,072
Retirement benefits		
— defined contribution scheme	343	67
	23,559	6,139

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

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

(b) Directors' and senior management's emoluments

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

	Fees	Salaries	Employer's contribution to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Göran Sture Malm	875	291	12	1,178
Mr. Savio Chow Sing Nam	144	1,800	12	1,956
Mr. Henry Cho Kim	144	828	12	984
Mr. Andrew Yao Cho Fai	144	—	7	151
Mr. Desmond Fu Hay Ching *(i)*	—	—	—	—
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

(i) Retired on 31st July 2006

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

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

(ii) Appointed on 9th August 2005

(iii) Resigned on 9th August 2005

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including 3 (2006: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2006: 2) individuals during the year are as follows:

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

The emoluments fell within the following bands:

	For the year ended 31st March	
	2007	**2006**
Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	2	1
	2	2

25. FINANCE INCOME AND COSTS

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Finance income:		
Interest income from bank deposits	13,917	1,707
Interest income on overdue trade receivables	2,411	—
Amortised interest income from subscription receivables	73,693	—
	90,021	1,707
Finance costs:		
Interest expense		
— Interest on bank loans wholly repayable within five years	4,982	1,112
— Interest on amount due to a related company	—	1,154
— convertible bonds redeemable after five years	1,070	1,030
— Notional interest expense		
— fair valuation of deferred consideration *(Note 30)*	1,111	—
	7,163	3,296

26. INCOME TAX EXPENSE/(CREDIT)

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been calculated at the rate of 17.5% (2006: Nil, no assessable profit subject to Hong Kong profits tax) on the estimated assessable profit for the year. Subsidiaries established in the Mainland China are subjected to the Mainland China enterprise income tax at rates ranging from 15% to 33% (2006: 15% to 33%). Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the countries in which the Group operates.

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

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	3,237	—
Mainland China enterprise income tax		
— Refund	(303)	—
— Overprovisions in prior years	(15)	(5,007)
Profits tax of overseas subsidiaries	67	—
Deferred taxation	3	—
	2,989	(5,007)

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

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Profit/(Loss) before income tax	69,736	(16,995)
Tax calculated at the weighted average domestic tax rates applicable to losses in the respective places/countries	11,680	(1,634)
Effect of		
— income not subject to tax	(15,719)	27
— expenses not deductible for tax	1,268	1
— deferred tax assets not recognised	5,775	1,606
— overprovisions in prior years	(15)	(5,007)
Tax expense/(credit)	2,989	(5,007)

For the year ended 31st March 2007, the weighted average applicable tax rates was approximately 16.7% (2006: 9.6%).

The change in weighted average applicable tax rates is mainly caused by a change in the distribution of the profit/loss among the group companies in different tax jurisdictions and with different tax rates, and other gains that are not subject to taxation.

27. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of profit of approximately HK$60,692,000 (2006: loss of HK$25,638,000).

28. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of approximately HK$66,747,000 (2006: Loss of HK$11,988,000) and on the weighted average number of approximately 95,795,000 shares (2006: 67,582,000 shares) in issue during the year.

The calculation of diluted earnings per share is based on profit of approximately HK$67,817,000, which is the profit attributable to shareholders plus an adjustment for convertible bonds accrued interest expense of approximately HK$1,070,000 and on the weighted average number of approximately 8,003,100,000 shares, which is the weighted average number of shares in issue during the year plus the conversion of all potential dilutive shares from convertible bonds and preference shares of approximately 127,714,000 and 7,779,591,000 shares respectively (2006: no diluted earnings per share was presented as the outstanding shares were anti-dilutive).

29. CASH FLOW STATEMENT

(a) Cash generated from operations

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Profit/(loss) before taxation	69,736	(16,995)
Finance income	(90,021)	(1,707)
Finance costs	7,163	3,296
Depreciation of property, plant and equipment	2,017	373
Depreciation of investment properties	18	—
Amortisation of intangible assets	5,861	15
Amortisation of leasehold land and land use rights	60	—
Loss on disposal of property, plant and equipment	396	23
Gain on disposal of subsidiaries, net	—	(98)
Write-back of provision for claim	—	(2,977)
Write-back of provision for inventories	(188)	—
Operating loss before working capital changes	(4,958)	(18,070)
(Increase)/decrease in inventories	(22,506)	56,961
Increase in deposits for purchase of inventories	—	(44,128)
Decrease/(increase) in trade receivables	41,787	(798)
Decrease in prepayments, deposits and other receivables	5,570	10,788
Decrease in trade payables	(31,621)	(57,128)
(Decrease)/increase in other payables and accruals	(15,487)	37,780
Increase in receipts in advance	15,316	8,276
Increase in deferred subscription payables	32,676	—
Exchange translation adjustments	1,228	291
Net cash inflow/(outflow) generated from operations	22,005	(6,028)

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

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Net book amount *(Note 6)*	5,125	38
Loss on disposals of property, plant and equipment	(396)	(23)
Proceeds from disposals of property, plant and equipment	4,729	15

(c) Profit on disposal of subsidiaries

Net assets disposed of:

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

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

30. BUSINESS COMBINATIONS — GROUP

(a) Acquisition of subsidiary

On 3rd November 2006, the Group acquired 100% of the ordinary share capital of American Tec Company Limited and American Tec Electronic India Private Limited, companies trading in SMT assembly equipments, machinery and spare parts and provision of related installation, training, business promotion, repair and maintenance services. The acquired business contributed revenues of approximately HK$359,390,000 and net profit of approximately HK$21,127,000 to the Group for the period from 3rd November 2006 to 31st March 2007. If the acquisition had occurred on 1st April 2006, Group revenue would have been approximately HK$1,278,467,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1st April 2006, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

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

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

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

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

(b) Subscription of 40% convertible preferred share capital

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

Details of net assets acquired and goodwill are as follows:

	2007
	HK$'000
Purchase consideration:	
— Cash paid	143,333
— Direct costs relating to the acquisition	6,337
Total purchase consideration	149,670
— Fair valuation of the subscription payable	(4,056)
Fair value of net assets acquired	
— shown as below	(139,043)
Goodwill	6,571

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

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

	Fair value	**Acquiree's carrying value**
	HK$'000	*HK$'000*
Cash and cash equivalents	36,195	36,195
Pledged bank deposits	31,957	31,957
Leasehold land and land use rights	11,857	7,176
Property, plant and equipment	19,148	18,510
Investment property	2,200	1,609
Trademarks (included in intangible assets)	15,600	—
Non-compete agreement (included in intangible assets)	51	—
Customer base (included in intangible assets)	6,400	—
Trade and bills receivables	30,736	30,736
Prepayments, deposits & other receivables	32,465	32,465
Inventories	127,840	127,840
Trade & bills payables	(32,936)	(32,936)
Accruals & other payables	(9,945)	(9,945)
Current income tax liabilities	(8,545)	(8,545)
Borrowings	(123,980)	(123,980)
Net assets acquired	139,043	111,082
Purchase consideration		149,670
Deferred consideration		(56,667)
Cash and cash equivalents in jointly controlled entity		(36,195)
Share of subscription proceeds		28,667
		85,475

There were no acquisitions for the year ended 31st March 2006.

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

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

	As at 31st March	
	2007	**2006**
	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	—

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

31. CONTINGENT LIABILITIES

As at 31st March 2007, the Company had provided guarantees of approximately HK$295,712,000 (2006: HK$6,600,000) with respect to banking facilities made available to its subsidiaries. As at 31st March 2007, bank borrowings of approximately HK$52,760,000 were outstanding (2006: Nil). 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.

32. BANKING FACILITIES

As at 31st March 2007, the Group had banking facilities of approximately HK$588,795,000 (2006: HK$6,000,000) from several banks for loans and trade financing. As at 31st March 2007, approximately HK$161,516,000 were utilised by the Group (2006: Nil). These facilities were secured by:

(i) pledge of buildings of the Group of approximately HK$5,200,000 (2006: Nil);

(ii) pledge of leasehold land and land use rights of the Group of approximately HK$6,975,000 (2006: Nil);

(iii) pledge of investment properties of the Group of approximately HK$1,615,000 (2006: Nil);

(iv) pledge of inventories of the Group of approximately HK$15,330,000 (2006: Nil) and certain of the Group's inventories held under trust receipts bank loan arrangements;

(v) pledge of the Group's bank deposits of approximately HK$49,899,000 (2006: HK$3,055,000); and

(vi) corporate guarantee of approximately HK$295,712,000 (2006: HK$6,600,000) provided by the Company.

33. COMMITMENTS

(a) Operating leases

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

Total future minimum lease payments payable is analysed as follows:

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

(b) Others

The Group has entered into an agreement to open at least four Burger King restaurants in the coming financial year.

34. RELATED PARTY TRANSACTIONS

As at 31st March 2007, the Company was owned as to approximately 46.1% by North Asia Strategic Acquisition Corp. ("NASAC", a company incorporated in the Cayman Islands), approximately 21.1% by Mr. Moses Tsang Kwok Tai and his related parties, and to approximately 11.06% by Van Shung Chong (B.V.I) Limited (wholly owned by Van Shung Chong Holdings Limited) and its related parties. NASAC and Mr. Moses Tsang Kwok Tai acquired their interest in the Company effective from 9th August 2005. Ajia Partners Inc. is the controlling company of North Asia Strategic Advisors ("NASA") which in turn controls 100% voting capital of NASAC.

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

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

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Name of related party/Nature of transaction		
Van Shung Chong Hong Limited *(i)*		
— Purchases made by the Group	—	220,257
— Commission from procurement services earned by the Group	—	—
— Interest charged to the Group	—	1,154
— Administrative fees charged to the Group	—	30
CFY Enterprises Limited *(i)*		
— Rental expense charged to the Group	—	13
— Rates, management fees and utilities charged to the Group	—	9
Ajia Partners (HK) Limited *(ii)*		
— Rental expense charged to the Group	904	583
— Administrative services fee charged to the Group	979	598
North Asia Strategic Advisors *(iii)*		
— Service fees charged to the Group	20,896	—
— Placement fee charged to the Group	—	7,800

Notes:

(i) Van Shung Chong Hong Limited and CFY Enterprises Limited are wholly owned and controlled by Van Shung Chong (B.V.I.) Limited.

(ii) Ajia Partners (HK) Limited is a fellow subsidiary of NASAC and associated with Mr. Moses Tsang Kwok Tai.

(iii) NASA is the holding company of NASAC.

The Group entered into two administrative services agreements with Ajia Partners (HK) Limited ("APHK"), underwhich APHK has agreed to provide general administrative services to the Group during the period from 1st July 2005 to 30th June 2006 and from 1st July 2006 to 30th June 2007, at a monthly service fee of approximately HK$77,000 and HK$83,000 respectively. In addition, the Group entered into a lease agreement with APHK for leasing of office space from 9th August 2005 to 31st March 2008 at a monthly rental of approximately HK$75,000.

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

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Name of related company		
Van Shung Chong Hong Limited *(i)*	—	36,916

Notes:

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

(c) Balances with subsidiaries (Company only financial statements)

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

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

(e) Key management compensation:

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries and allowances	6,404	3,843
Retirement benefits — defined contribution scheme	120	12
	6,524	3,855

35. DEFERRED TAXATION

Deferred taxation 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 movement in the deferred taxation account is as follows:

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Recognised on acquisition of subsidiaries	2,330	—
Recognised in the income statement	3	—
End of the year	2,333	—

The movements in deferred tax assets and liabilities during the year without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Accelerated tax depreciation
	HK$'000
Recognised on acquisition of subsidiaries	2,330
Recognised in the income statement	3
At 31st March 2007	2,333

	For the year ended 31st March	
	2007	**2006**
	HK$'000	*HK$'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after 12 months	—	—
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after 12 months	2,333	—
Net deferred tax liabilities	2,333	—

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

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from 1st January 2008.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

As at 31st March 2007, the Group has not recognised for any deferred tax assets on its cumulative tax losses. Therefore, the impact of the adoption of the new CIT law to the Group's financial statement is not considered to be material.

36 SUBSEQUENT EVENT

The Company has been in discussion with potential investors relating to a potential fund raising exercise which would likely to issue non-redeemable convertible preference shares similar to the previous placement as set out in note 20 to the financial statements to raise up to approximately HK$2,716 million."

3. UNAUDITED CONSOLIDATED SECOND QUARTER FINANCIAL STATEMENTS

Set out below is the unaudited second quarter results of the Group for the six months and three months ended 30th September 2007 as extracted from pages 3 to 20 of the second quarterly report of the Company. References to page numbers in this section are to the page numbers of such second quarterly report.

"Unaudited Condensed Consolidated Income Statement

		For the six months ended 30th September		For the three months ended 30th September	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations					
Revenues	*3*	666,248	34,633	367,545	849
Cost of sales		(618,857)	(33,936)	(344,347)	(847)
Gross profit		47,391	697	23,198	2
Other gains/(losses) — net	*4*	3,252	2,469	(5,568)	2,471
Selling and distribution expenses		(18,460)	—	(8,084)	—
General and administrative expenses		(71,788)	(18,115)	(39,919)	(8,796)
Finance income	*5*	17,693	41,813	9,390	25,715
Finance costs	*5*	(10,327)	(997)	(4,092)	(797)
(Loss)/profit before income tax		(32,239)	25,867	(25,075)	18,595
Income tax credit	*6*	5,472	—	5,850	—
(Loss)/profit for the period from continuing operations		(26,767)	25,867	(19,225)	18,595
Discontinued operations					
(Loss)/profit for the period from discontinued operations	*7*	(2,269)	(656)	44	453
(Loss)/profit for the period		(29,036)	25,211	(19,181)	19,048
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(28,975)	25,211	(19,130)	19,048
Minority interests		(61)	—	(51)	—
		(29,036)	25,211	(19,181)	19,048

		For the six months ended 30th September		For the three months ended 30th September	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit per share from continuing operations attributable to the equity holders of the Company for the period					
— Basic (HK cents)	*8*	(27.88)	27.00	(20.02)	19.41
— Diluted (HK cents)	*8*	N/A	0.34	N/A	0.24
(Loss)/profit per share from discontinued operations attributable to the equity holders of the Company for the period					
— Basic (HK cents)	*8*	(2.37)	(0.68)	0.05	0.47
— Diluted (HK cents)	*8*	N/A	N/A	0.00	0.01

The notes are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Balance Sheet

	Note	**As at 30th September 2007** *HK$'000* (Unaudited)	**As at 31st March 2007** *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*10*	56,593	36,014
Investment properties	*10*	2,229	2,206
Leasehold land and land use rights	*10*	18,714	11,869
Intangible assets	*10*	426,847	432,279
Deferred tax assets		3,433	—
Subscription receivables	*11*	291,383	282,211
Available-for-sales financial assets — listed		3,256	—
Total non-current assets		802,455	764,579
Current assets			
Inventories		305,830	270,430
Trade receivables	*12*	186,989	129,291
Prepayments, deposits and other receivables		20,219	38,468
Finance lease receivables		2,781	—
Pledged bank deposits		47,732	49,899
Cash and cash equivalents		358,209	441,553
Total current assets		921,760	929,641
Current liabilities			
Borrowings	*13*	(189,768)	(159,461)
Trade payables	*14*	(247,417)	(188,664)
Accruals and other payables		(29,609)	(20,090)
Receipts in advance		(11,687)	(22,118)
Current income tax liabilities		(14,085)	(17,288)
Derivative financial instruments		(191)	—
Deferred subscription payables		—	(32,676)
Total current liabilities		(492,757)	(440,297)
Net current assets		429,003	489,344
Total assets less current liabilities		1,231,458	1,253,923

	Note	As at 30th September 2007 HK$'000 (Unaudited)	As at 31st March 2007 HK$'000 (Audited)
Non-current liabilities			
Borrowings	*13*	(6,748)	(4,538)
Convertible bonds		(16,351)	(15,712)
Deferred tax liabilities		(1,454)	(2,333)
Total non-current liabilities		(24,553)	(22,583)
Net assets		1,206,905	1,231,340
Equity			
Capital and reserves attributable to equity holders of the Company:			
Share capital	*15*	82,718	82,718
Reserves	*15*	1,122,562	1,148,622
		1,205,280	1,231,340
Minority interests		1,625	—
Total equity		1,206,905	1,231,340

The notes are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

		(Unaudited)				
		Attributable to equity holders of the Company				
		Share capital	**Reserves**	**Sub-total**	**Minority interests**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1st April 2007		82,718	1,148,622	1,231,340	—	1,231,340
Loss for the period		—	(28,975)	(28,975)	(61)	(29,036)
Capital contribution from minority interests		—	—	—	1,686	1,686
Increase in fair value of available-for-sale financial assets		—	27	27	—	27
Translation adjustments		—	2,888	2,888	—	2,888
Balances at 30th September 2007		82,718	1,122,562	1,205,280	1,625	1,206,905
Balances at 1st April 2006		74,790	974,805	1,049,595	—	1,049,595
Profit for the period		—	25,211	25,211	—	25,211
Issue of preference shares	*15*	7,928	106,267	114,195	—	114,195
Share issue expenses — preference shares		—	(731)	(731)	—	(731)
Translation adjustments		—	152	152	—	152
Balances at 30th September 2006		82,718	1,105,704	1,188,422	—	1,188,422

The notes are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Cash Flow Statement

	For the six months ended 30th September	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(112,240)	(31,848)
Net cash used in investing activities	(5,245)	(11,815)
Net cash generated from financing activities	34,141	45,155
Net (decrease)/increase in cash and cash equivalents	(83,344)	1,492
Cash and cash equivalents at 1st April	441,553	292,847
Cash and cash equivalents at 30th September	358,209	294,339

The notes are an integral part of this unaudited condensed consolidated interim financial information.

Notes:

1. GENERAL INFORMATION

North Asia Strategic Holdings Limited (the “Company” or “NAS”) and its subsidiaries (collectively the “Group” or “NAS Group”) are principally engaged in trading of surface mount technology (“SMT”) assembly equipment, machineries 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; and investment holdings. During the period, the Group ceased its steel trading operations.

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 (the “Stock Exchange”).

This unaudited condensed consolidated interim financial information is presented in thousand of Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information has been approved for issue by the Company’s Board of Directors on 13th November 2007.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007.

This unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2007, as described in the annual financial statements for the year ended 31st March 2007.

The following new standards, amendments and interpretations are mandatory for the financial year ending 31st March 2008.

- HKFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1 "Amendments to Capital Disclosures" (effective for accounting periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments; and amendment to HKAS 1 requires the disclosure of information that enables user of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Group has adopted the standards starting from 1st April 2007, and the disclosures as required by these standards will be disclosed in the Group's 2008 annual report;

- HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" (effective for accounting periods beginning on or after 1st March 2006), provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for accounting periods beginning on or after 1st May 2006) 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 – to establish whether or not they fall within the scope of HKFRS 2. This interpretation has no material financial impact on the Group, and does not result in substantial changes to the Group's accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the financial statements as of and for the year ended 31st March 2007;

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" (effective for accounting periods beginning on or after 1st June 2006) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations;

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" (effective for accounting periods beginning on or after 1st November 2006) prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation has no material financial impact on the Group;

- HK(IFRIC)-Int 11 "Group and Treasury Share Transfer" (effective for accounting periods beginning on or after 1st March 2007) clarifies that certain types of transaction are accounted for as equity-settled or cash-settled under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. As none of the group entities have granted any share options to their staff as at 30th September 2007, this interpretation had no material financial impact on the Group.

The following new standards, and interpretations have been issued but are not effective for the year ended 31st March 2008 and have not been early adopted by the Group:

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1st January 2009);
- HK(IFRIC)-Int 12 "Service Concession Arrangements" (effective for accounting periods beginning on or after 1st January 2008);
- HK(IFRIC)-Int 13 "Customer Loyalty Programs" (effective for accounting periods beginning on or after 1st July 2008);
- HK(IFRIC)-Int 14 "The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for accounting periods beginning on or after 1st January 2008).

Management is assessing the impact of the above new standards and interpretations which have been issued but are not effective for the year ending 31st March 2008 on the Group's operations and the Group will adopt these standards and interpretations when they become effective.

3. TURNOVER, REVENUES AND SEGMENT INFORMATION

3.1 Turnover and revenues

Turnover represents sales of goods and commission and other income. The amount of each category of revenues recognised during the period is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Sales of goods	656,288	34,633	361,956	849
Commission and other income	9,960	—	5,589	—
	666,248	34,633	367,545	849
Discontinued operations				
Sales of goods	4,514	51,798	—	19,262
	670,762	86,431	367,545	20,111

3.2 Primary reporting format — business segments

The Group is organised into four major business segments – SMT trading, fishmeal and fish oil, 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), and investment holdings. The SMT trading, fishmeal and fish oil, and steel trading business segment derives revenue from the sales of goods. The procurement services for steel products business segment derives commission income from procurement and online steel trading services. The investment holding business segment derives revenue from dividend income.

The business segment results, capital expenditure, and depreciation and amortisation for the period are analysed as follows:

Six months ended 30th September 2007 (Unaudited)

	Continuing operations				Discontinued operations	
	SMT trading	Fishmeal and fish oil	Investment holdings	Sub-total	Steel trading and procurement services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	488,069	178,179	—	666,248	4,514	670,762
Segment results	(6,136)	(20,338)	2,168	(24,306)	(3,003)	(27,309)
Unallocated income				3,252	31	3,283
Unallocated expenses				(11,185)	—	(11,185)
Loss before income tax				(32,239)	(2,972)	(35,211)
Income tax credit				5,472	703	6,175
Loss for the period				(26,767)	(2,269)	(29,036)
Capital expenditure	1,271	8,242	2,290	11,803	—	11,803
Depreciation and amortisation	7,563	2,341	106	10,010	—	10,010

Six months ended 30th September 2006 (Unaudited)

	Continuing operations				Discontinued operations	
	SMT trading	Fishmeal and fish oil	Investment holdings	Sub-total	Steel trading and procurement services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	34,633	—	—	34,633	51,798	86,431
Segment results	532	—	29,508	30,040	(829)	29,211
Unallocated income				2,469	53	2,522
Unallocated expenses				(6,642)	—	(6,642)
Profit/(loss) before income tax				25,867	(776)	25,091
Income tax credit				—	120	120
Profit/(loss) for the period				25,867	(656)	25,211
Capital expenditure	—	—	21	21	—	21
Depreciation and amortisation	—	—	15	15	15	30

There are no significant sales between these business segments during the period (2006: Nil).

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

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

	Continuing operations				Discontinued operations	
	SMT trading	Fishmeal and fish oil	Investment holdings	Sub-total	Steel trading and procurement services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30th September 2007 (Unaudited)						
Assets						
Segment assets	359,760	346,687	1,009,150	1,715,597	5,185	1,720,782
Unallocated assets				3,433	—	3,433
				1,719,030	5,185	1,724,215
Liabilities						
Segment liabilities	(259,168)	(225,489)	(17,097)	(501,754)	(18)	(501,772)
Unallocated liabilities				(15,538)	—	(15,538)
				(517,292)	(18)	(517,310)
As at 31st March 2007 (Audited)						
Assets						
Segment assets	1,060,056	343,664	282,211	1,685,931	8,283	1,694,214
Unallocated assets				—	6	6
				1,685,931	8,289	1,694,220
Liabilities						
Segment liabilities	(206,585)	(185,912)	(50,523)	(443,020)	(239)	(443,259)
Unallocated liabilities				(18,921)	(700)	(19,621)
				(461,941)	(939)	(462,880)

3.3 Secondary reporting format — geographical segments

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Revenues 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 period are analysed as follows:

	Six months ended 30th September 2007 (Unaudited)							
	Continuing operations				Discontinued operations			
	Hong Kong	Mainland China	Others	Sub-total	Hong Kong	Mainland China	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	—	650,677	15,571	666,248	—	4,514	4,514	670,762
Segment results	(4,692)	(17,579)	(2,035)	(24,306)	51	(3,054)	(3,003)	(27,309)
Unallocated income				3,252			31	3,283
Unallocated expenses				(11,185)			—	(11,185)
Loss before income tax				(32,239)			(2,972)	(35,211)
Income tax credit				5,472			703	6,175
Loss for the period				(26,767)			(2,269)	(29,036)
Capital expenditure	2,321	8,946	536	11,803	—	—	—	11,803

	Six months ended 30th September 2006 (Unaudited)							
	Continuing operations				Discontinued operations			
	Hong Kong	Mainland China	Others	Sub-total	Hong Kong	Mainland China	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	34,633	—	—	34,633	—	51,798	51,798	86,431
Segment results	30,040	—	—	30,040	150	(979)	(829)	29,211
Unallocated income				2,469			53	2,522
Unallocated expenses				(6,642)			—	(6,642)
Profit/(loss) before income tax				25,867			(776)	25,091
Income tax credit				—			120	120
Profit/(loss) for the period				25,867			(656)	25,211
Capital expenditure	21	—	—	21	—	—	—	21

There are no significant sales between these geographical segments (2006: Nil).

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

	Continuing operations				Discontinued operations			
	Hong Kong	Mainland China	Others	Sub-total	Hong Kong	Mainland China	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30th September 2007 (Unaudited)								
Assets								
Segment assets	1,058,651	626,706	30,240	1,715,597	4,728	457	5,185	1,720,782
Unallocated assets				3,433			—	3,433
				1,719,030			5,185	1,724,215
As at 31st March 2007 (Audited)								
Assets								
Segment assets	940,891	696,386	48,654	1,685,931	6,129	2,154	8,283	1,694,214
Unallocated assets				—			6	6
				1,685,931			8,289	1,694,220

4. OTHER GAINS/(LOSSES) — NET

	For the six months ended 30th September		For the three months ended 30th September	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Net exchange gains/(losses)	4,134	—	(4,352)	—
Loss on disposal of property, plant and equipment	(1,670)	—	(1,670)	—
Others	788	2,469	454	2,471
	3,252	2,469	(5,568)	2,471
Discontinued operations				
Others	31	53	31	49
	31	53	31	49
	3,283	2,522	(5,537)	2,520

5. FINANCE INCOME AND COSTS

	For the six months ended 30th September		For the three months ended 30th September	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Finance income:				
Interest income from bank deposits	8,521	5,584	4,804	2,716
Amortised interest income from subscription receivables	9,172	36,229	4,586	22,999
	17,693	41,813	9,390	25,715
Discontinued operations				
Finance income:				
Interest income from bank deposits	52	150	32	102
	17,745	41,963	9,422	25,817
Continuing operations				
Finance costs:				
Interest on bank loans wholly repayable within five years	(8,365)	(564)	(3,771)	(475)
Convertible bonds redeemable after five years	(639)	(433)	(321)	(322)
Notional interest expense on deferred subscription payables	(1,323)	—	—	—
	(10,327)	(997)	(4,092)	(797)

6. INCOME TAX CREDIT

The Company is exempted from taxation in Bermuda until 2016. No Hong Kong profits tax has been provided as no estimated assessable profit for the period. Subsidiaries established in the Mainland China are subjected to Mainland China enterprise income tax ("EIT") at rates ranging from 15% to 33% (2006: 15% to 33%). Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the period at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax credit recognised in the unaudited condensed consolidated income statements represent:

	For the six months ended 30th September		For the three months ended 30th September	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Current income tax:				
Hong Kong profits tax				
— Overprovision in prior periods	—	—	1,035	—
EIT				
— Current period	492	—	1,226	—
— Over/(under) provision in prior periods	664	—	(765)	—
Overseas taxation	1	—	39	—
Deferred taxation	4,315	—	4,315	—
	5,472	—	5,850	—
Discontinued operations				
Current income tax				
EIT				
— Current period	—	120	—	122
— Overprovision in prior years	703	—	—	—
	703	120	—	122
	6,175	120	5,850	122

7. DISCONTINUED OPERATIONS

During the period, the Group ceased its steel trading operation and the unaudited consolidated results of the steel trading operation for the six months ended 30th September 2007 together with the comparative unaudited figures for the corresponding period in 2006 were as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	4,514	51,798	—	19,262
Cost of sales	(7,543)	(52,042)	—	(18,741)
Gross (loss)/profit	(3,029)	(244)	—	521
Other gains — net	31	53	31	49
Selling and distribution expenses	(4)	(99)	—	(77)
General and administrative expenses	(22)	(636)	(19)	(264)
Finance income	52	150	32	102
(Loss)/profit before income tax	(2,972)	(776)	44	331
Income tax credit	703	120	—	122
(Loss)/profit for the period from discontinued operation	(2,269)	(656)	44	453

8. (LOSS)/PROFIT 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 issue during the period.

	For the six months ended 30th September 2007		For the three months ended 30th September 2007	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period (HK$'000)	(26,767)	(2,269)	(19,225)	44
Loss for the period attributable to minority interests (HK$'000)	61	—	51	—
(Loss)/profit attributable to equity holders of the Company (HK$'000)	(26,706)	(2,269)	(19,174)	44
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)	(27.88)	(2.37)	(20.02)	0.05

	For the six months ended 30th September 2006		For the three months ended 30th September 2006	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company (HK$'000)	25,867	(656)	18,595	453
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Basic profit/(loss) per share (HK cents)	27.00	(0.68)	19.41	0.47

Diluted (loss)/profit per share

No diluted loss per share from continuing and discontinued operations for the six months ended 30th September 2007, from continuing operations for the three months ended 30th September 2007, and from discounted operations for the six months ended 30th September 2006 has been presented as the potential ordinary shares are anti-dilutive.

Diluted (loss)/profit per share from continuing operations for the six months and three months ended 30th September 2006 and from discontinued operations for the three months ended 30th September 2006 and 2007 are calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and non-redeemable preference shares. The convertible bonds and non-redeemable preference shares are assumed to have been converted into ordinary shares, and the (loss)/profit for the period is adjusted to eliminate the interest expenses.

	For the six months ended 30th September 2006 Continuing operations (Unaudited)	**For the three months ended 30th September 2006 Continuing operations** (Unaudited)	**For the three months ended 30th September 2007 Discontinued operations** (Unaudited)	**For the three months ended 30th September 2006 Discontinued operations** (Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	25,867	18,595	44	453
Adjustment for convertible bonds accrued interest expense	433	322	—	—
Adjusted profit attributable to equity holders of the Company *(HK$'000)*	26,300	18,917	44	453
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Adjustment for convertible bonds	127,713,920	127,713,920	127,713,920	127,713,920
Adjustment for non-redeemable preference shares	7,465,484,347	7,546,907,145	8,176,014,813	7,546,907,145
Weighted average number of ordinary shares for diluted profit per share	7,688,992,983	7,770,415,781	8,399,523,449	7,770,415,781
Basic profit per share *(HK cents)*	0.34	0.24	0.00	0.01

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2007.

10. CAPITAL EXPENDITURE

	Property, plant and equipment *HK$'000* (Unaudited)	Investment properties *HK$'000* (Unaudited)	Leasehold land and land use rights *HK$'000* (Unaudited)	Intangible assets *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
At 1st April 2007	36,014	2,206	11,869	432,279	482,368
Additions	3,158	—	6,787	1,858	11,803
Disposals	(10)	—	—	—	(10)
Depreciation/ amortisation	(2,604)	(26)	(90)	(7,290)	(10,010)
Transfer from inventories	19,392	—	—	—	19,392
Exchange realignments	643	49	148	—	840
At 30th September 2007	56,593	2,229	18,714	426,847	504,383
At 1st April 2006	478	—	—	6	484
Additions	21	—	—	—	21
Disposals	(354)	—	—	—	(354)
Depreciation/ amortisation	(27)	—	—	(3)	(30)
At 30th September 2006	118	—	—	3	121

11. SUBSCRIPTION RECEIVABLES

In February and March 2006, the Company issued a total of approximately 7,383,167,000 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placement, for an aggregated amount of approximately HK$1,156,200,000 ("First Tranche").

In September 2006, the Company issued a total of approximately 792,847,000 non-redeemable preference shares, with a par value of HK$0.01 each, at a subscription price of HK$0.1566 each through placement, for an aggregated amount of approximately HK$124,164,000 ("Second Tranche").

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

In the event that the subscription monies 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 on 26th September 2005 (as amended and restated 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. The second instalment and third instalment of the subscription monies have been received by the Company in October and December 2006 respectively.

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

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

	As at 30th September 2007	**As at 31st March 2007**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Subscription receivables	991,313	991,313
Less: Future interest	(111,573)	(111,573)
Add: Amortised interest income	82,865	73,693
	962,605	953,433
Less: Subscriptions received	(671,222)	(671,222)
	291,383	282,211

The carrying amounts of subscription receivables approximately their fair values.

Amortised interest income recognised as income and included in finance income amounted to approximately HK$9,172,000 (2006: HK$36,229,000).

Interest income on the subscription receivables is calculated using the effective interest method by applying the effective interest rate of 6.5% per annum.

12. TRADE RECEIVABLES

	As at 30th September 2007 *HK$'000* (Unaudited)	As at 31st March 2007 *HK$'000* (Audited)
Trade receivables	191,366	136,158
Less: Provision for impairment of receivables	(4,377)	(6,867)
	186,989	129,291

The Group generally requires letter of credit or documents against payment, with some cases granting a credit period of 30 to 90 days. Aging analysis of trade receivables is as follows:

	As at 30th September 2007 *HK$'000* (Unaudited)	As at 31st March 2007 *HK$'000* (Audited)
90 days or less	140,761	90,174
91 to 180 days	32,620	19,867
181 to 270 days	5,577	13,912
271 to 365 days	5,806	2,776
Over 365 days	6,602	9,429
	191,366	136,158

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.

13. BORROWINGS

Borrowings are analysed as follows:

	As at 30th September 2007 HK$'000 (Unaudited)	As at 31st March 2007 HK$'000 (Audited)
Non-current		
Bank and other borrowings	6,748	4,538
Current		
Secured trust receipt loans	189,768	159,461
Total borrowings	196,516	163,999

All borrowings are secured by the bank deposits of the Group of approximately HK$47,732,000 (At 31st March 2007: HK$49,899,000), guarantees provided by the Company of approximately HK$284,709,000 (At 31st March 2007: HK$295,712,000), inventories held under trust receipts bank loan arrangement of approximately HK$34,848,000 (At 31st March 2007: HK$15,330,000), buildings of approximately HK$8,689,000 (At 31st March 2007: HK$5,200,000), investment properties of approximately HK$1,638,000 (At 31st March 2007: HK$1,615,000) and leasehold land and land use rights of approximately HK$7,037,000 (At 31st March 2007: HK$6,975,000).

14. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30th September 2007 HK$'000 (Unaudited)	As at 31st March 2007 HK$'000 (Audited)
90 days or less	214,084	151,640
91 to 180 days	20,881	18,210
181 to 270 days	3,455	15,271
271 to 365 days	3,419	3,086
1 to 2 years	5,578	457
	247,417	188,664

15. SHARE CAPITAL AND RESERVES

Movements in share capital and reserves are as follows:

	(Unaudited)						
	Attributable to equity holders of the Company						
	Ordinary share capital	Preference share capital	Other reserves *(note)*	Retained profits/ accumulated (losses)	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1st April 2007	958	81,760	1,103,559	45,063	1,231,340	—	1,231,340
Loss for the period	—	—	—	(28,975)	(28,975)	(61)	(29,036)
Capital contribution from minority interests	—	—	—	—	—	1,686	1,686
Translation adjustments	—	—	2,888	—	2,888	—	2,888
Increase in fair value of available-for-sale financial assets	—	—	27	—	27	—	27
Balances at 30th September 2007	958	81,760	1,106,474	16,088	1,205,280	1,625	1,206,905
Balances at 1st April 2006	958	73,832	996,489	(21,684)	1,049,595	—	1,049,595
Profit for the period	—	—	—	25,211	25,211	—	25,211
Issue of preference shares	—	7,928	106,267	—	114,195	—	114,195
Share issue expenses — preference shares	—	—	(731)	—	(731)	—	(731)
Translation adjustments	—	—	152	—	152	—	152
Balances at 30th September 2006	958	81,760	1,102,177	3,527	1,188,422	—	1,188,422

Note:

Other reserves comprise share premium, contributed surplus, equity portion of convertible bonds, capital reserve, investment revaluation reserve and cumulative translation adjustments. As at 30th September 2007, share premium amounted to approximately HK$1,083,637,000 (As at 30th September 2006: HK$1,083,637,000), contributed surplus amounted to approximately HK$8,984,000 (As at 30th September 2006: HK$8,984,000), equity portion of convertible bonds amounted to HK$6,388,000 (As at 30th September 2006: HK$6,388,000), capital reserve amounted to approximately HK$2,700,000 (As at 30th September 2006: HK$2,700,000), investment revaluation reserve amounted to approximately HK$27,000 (As at 30th September 2006: Nil) and cumulative translation adjustments amounted to approximately HK$4,738,000 (As a 30th September 2006: HK$462,000).

16. RELATED PARTY TRANSACTIONS

As at 30th September 2007, the Company was owned as to approximately 46.1% by North Asia Strategic Acquisition Corp. ("NASAC"), a company incorporated in the Cayman Islands, approximately 21.1% by Mr. Moses Tsang Kwok Tai (a shareholder of Ajia Partners Inc., the ultimate holding company of NASAC). NASAC and Mr. Moses Tsang Kwok Tai acquired their interest in the Company effective from 9th August 2005.

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

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

	For the six months ended 30th September	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Name of related party/Nature of transaction		
Ajia Partners (HK) Limited *(i)*		
— Rental expense charged to the Group	452	452
— Administrative services fee charged to the Group	498	481
North Asia Strategic Advisors *(ii)*		
— Service fees charged to the Group	10,212	10,201

Notes:

(i) Ajia Partners (HK) Limited is a fellow subsidiary of North Asia Strategic Acquisition Corp. ("NASAC") and associated with Mr. Moses Tsang Kwok Tai.

(ii) North Asia Strategic Advisors ("NASA") is the holding company of NASAC.

The Group entered into two administrative services agreements with Ajia Partners (HK) Limited ("APHK"), underwhich APHK has agreed to provide general administrative services to the Group during the period from 1st July 2006 to 30th June 2007 and from 1st July 2007 to 30th June 2008, at a monthly service fee of HK$83,000 respectively. 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.

17. SUBSEQUENT EVENTS

Subsequent to 30th September 2007, on 18th and 29th October 2007, the Company has entered into 14 subscription agreements with 14 institutional and professional investors for the placement of non-redeemable convertible preference shares similar to the existing issued preference shares (the "Second Placement") for a total of approximately HK$547.9 million before expenses. Details of the Second Placement are contained in an announcement of the Company dated 2nd November 2007 and the Second Placement is subject to the Company's shareholders' approval."

4. UNAUDITED CONSOLIDATED THIRD QUARTER FINANCIAL STATEMENTS

Set out below is the unaudited third quarter results of the Group for the nine months and three months ended 31st December 2007 as extracted from pages 3 to 13 of the third quarterly report of the Company. References to page numbers in this section are to the page numbers of such third quarterly report.

"Unaudited Condensed Consolidated Income Statement

	Note	For the nine months ended 31st December 2007 HK$'000 (Unaudited)	For the nine months ended 31st December 2006 HK$'000 (Unaudited)	For the three months ended 31st December 2007 HK$'000 (Unaudited)	For the three months ended 31st December 2006 HK$'000 (Unaudited)
Continuing operations					
Revenues	3	971,102	230,999	304,854	196,365
Cost of sales		(891,139)	(195,416)	(272,283)	(161,480)
Gross profit		79,963	35,583	32,571	34,885
Other gains/(losses) — net	4	1,856	3,867	(1,395)	3,867
Selling and distribution expenses		(31,472)	(6,647)	(13,012)	(6,646)
General and administrative expenses		(108,606)	(38,488)	(36,818)	(20,390)
Finance income	5	25,863	80,584	8,170	36,301
Finance costs	5	(14,980)	(2,657)	(4,653)	(1,660)
(Loss)/Profit before income tax		(47,376)	72,242	(15,137)	46,357
Income tax credit/(expense)	6	5,236	(3,372)	(236)	(3,372)
(Loss)/Profit for the period from continuing operations		(42,140)	68,870	(15,373)	42,985
Discontinued operations					
(Loss)/Profit for the period from discontinued operations	7	(2,193)	(503)	76	171
(Loss)/Profit for the period		(44,333)	68,367	(15,297)	43,156
(Loss)/Profit for the period attributable to:					
Equity holders of the Company		(44,260)	68,367	(15,285)	43,156
Minority interests		(73)	—	(12)	—
		(44,333)	68,367	(15,297)	43,156
(Loss)/Profit per share from continuing operations attributable to the equity holders of the Company for the period					
— Basic (HK cents)	8	(43.91)	71.89	(16.04)	44.87
— Diluted (HK cents)	8	N/A	0.88	N/A	0.52
(Loss)/Profit per share from discontinued operations attributable to the equity holders of the Company for the period					
— Basic (HK cents)	8	(2.29)	(0.53)	0.08	0.18
— Diluted (HK cents)	8	N/A	N/A	0.00	0.00

The notes are an integral part of this unaudited condensed consolidated financial information.

Notes:

1. **GENERAL INFORMATION**

North Asia Strategic Holdings Limited (the "Company" or "NAS") and its subsidiaries (collectively, the "Group" or "NAS Group") are principally engaged in (i) trading of surface mount technology ("SMT") assembly equipment, machinery and spare parts and provision of related installation, trading, repair and maintenance services; and (ii) developing and operating Burger 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. During the period, the Group ceased its steel trading operations.

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 (the "Stock Exchange").

This unaudited condensed consolidated financial information is presented in thousand of Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated financial information has been approved for issue by the Company's Board of Directors on 1st February 2008.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

The accounting policies used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007.

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standard ("HKAS", collectively, "HKFRS").

The following new standards, amendments and interpretations are mandatory for the financial year ending 31st March 2008.

- HKFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1 "Amendments to Capital Disclosures" (effective for accounting periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments; and amendment to HKAS 1 requires the disclosure of information that enables user of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Group has adopted the standards starting from 1st April 2007, and the disclosures as required by these standards will be disclosed in the Group's 2008 annual report;

- HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" (effective for accounting periods beginning on or after 1st March 2006), provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for accounting periods beginning on or after 1st May 2006) 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 — to establish whether or not they fall within the scope of HKFRS 2. This interpretation has no material financial impact on the Group, and does not result in substantial changes to the Group's accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the financial statements as of and for the year ended 31st March 2007;

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" (effective for accounting periods beginning on or after 1st June 2006) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations;

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" (effective for accounting periods beginning on or after 1st November 2006) prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation has no material financial impact on the Group; and

- HK(IFRIC)-Int 11 "Group and Treasury Share Transfer" (effective for accounting periods beginning on or after 1st March 2007) clarifies that certain types of transaction are accounted for as equity-settled or cash-settled under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. As none of the group entities have granted any share options to their staff as at 31st December 2007, this interpretation had no material financial impact on the Group.

The following new standards, and interpretations have been issued but are not effective for the year ended 31st March 2008 and have not been early adopted by the Group:

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1st January 2009)

- HK(IFRIC)-Int 12 "Service Concession Arrangements" (effective for accounting periods beginning on or after 1st January 2008)

- HK(IFRIC)-Int 13 "Customer Loyalty Programs" (effective for accounting periods beginning on or after 1st July 2008)

- HK(IFRIC)-Int 14 "The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for accounting periods beginning on or after 1st January 2008)

Management is assessing the impact of the above new standards and interpretations which have been issued but are not effective for the year ending 31st March 2008 on the Group's operations and the Group will adopt these standards and interpretations when they become effective.

3. TURNOVER AND REVENUES

Turnover represents sales of goods, commission and other income. The amount of each category of revenues recognised during the period is as follows:

	For the nine months ended 31st December		For the three months ended 31st December	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Sales of goods	956,824	230,489	300,536	195,855
Commission and other income	14,278	510	4,318	510
	971,102	230,999	304,854	196,365
Discontinued operations				
Sales of goods	4,514	59,944	—	8,147
	975,616	290,943	304,854	204,512

4. OTHER GAINS/(LOSSES) — NET

	For the nine months ended 31st December		For the three months ended 31st December	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Net exchange gains/(losses)	2,454	2,751	(1,679)	2,751
Loss on disposal of property, plant and equipment	(2,639)	—	(970)	—
Others	2,041	1,116	1,254	1,116
	1,856	3,867	(1,395)	3,867
Discontinued operations				
Others	32	53	—	8
	32	53	—	8
	1,888	3,920	(1,395)	3,875

5. FINANCE INCOME AND COSTS

	For the nine months ended 31st December		For the three months ended 31st December	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Finance income:				
Interest income from bank deposits	12,105	8,869	3,584	3,283
Amortised interest income from subscription receivables	13,758	68,969	4,586	32,740
Others	—	2,746	—	278
	25,863	80,584	8,170	36,301
Discontinued operations				
Finance income:				
Interest income from bank deposits	56	159	4	9
	25,919	80,743	8,174	36,310
Continuing operations				
Finance costs:				
Interest on bank loans wholly repayable within five years	12,696	1,742	4,331	1,178
Convertible bonds redeemable after five years	960	755	322	322
Notional interest expense on deferred subscription payables	1,324	160	—	160
	14,980	2,657	4,653	1,660

6. INCOME TAX CREDIT/(EXPENSE)

The Company is exempted from taxation in Bermuda until 2016. No Hong Kong profits tax has been provided as no estimated assessable profit for the period. Subsidiaries established in the Mainland China are subject to Mainland China enterprise income tax ("EIT") at rates ranging from 15% to 33% (2006: 15% to 33%). Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the period at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax credit/(expense) recognised in the unaudited condensed consolidated income statements represent:

	For the nine months ended 31st December		**For the three months ended 31st December**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Current income tax:				
Hong Kong profits tax				
— Current period	—	(3,462)	—	(3,462)
EIT				
— Current period	(901)	—	(1,393)	—
— Over provision in prior period	2,221	109	1,556	109
Overseas taxation				
— Current period	—	(19)	—	(19)
— Over provision in prior period	6	—	6	—
Deferred taxation	3,910	—	(405)	—
	5,236	(3,372)	(236)	(3,372)
Discontinued operations				
Current income tax				
EIT				
— Over provision in prior period	703	120	—	—
	703	120	—	—
	5,939	(3,252)	(236)	(3,372)

7. DISCONTINUED OPERATIONS

During the period, the Group ceased its steel trading operation. The unaudited consolidated results of the steel trading operation for the nine months ended 31st December 2007 together with the comparative unaudited figures for the corresponding periods in 2006 were as follows:

	For the nine months ended 31st December		For the three months ended 31st December	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	4,514	59,944	—	8,147
Cost of sales	(7,543)	(59,693)	—	(7,651)
Gross (loss)/profit	(3,029)	251	—	496
Other gains — net	32	53	—	8
Selling and distribution expenses	(5)	(143)	—	(45)
General and administrative expenses	50	(943)	72	(297)
Finance income	56	159	4	9
(Loss)/Profit before income tax	(2,896)	(623)	76	171
Income tax credit	703	120	—	—
(Loss)/Profit for the period from discontinued operation	(2,193)	(503)	76	171

8. (LOSS)/PROFIT 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 issue during the period.

	For the nine months ended 31st December 2007		For the nine months ended 31st December 2006	
	Continuing operations (Unaudited)	**Discontinued operations** (Unaudited)	**Continuing operations** (Unaudited)	**Discontinued operations** (Unaudited)
(Loss)/Profit for the period *(HK$'000)*	(42,140)	(2,193)	68,870	(503)
Loss for the period attributable to minority interests *(HK$'000)*	73	—	—	—
(Loss)/Profit attributable to equity holders of the Company *(HK$'000)*	(42,067)	(2,193)	68,870	(503)
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Basic (loss)/profit per share *(HK cents)*	(43.91)	(2.29)	71.89	(0.53)
(Loss)/Profit for the period *(HK$'000)*	(15,373)	76	42,985	171
Loss for the period attributable to minority interests *(HK$'000)*	12	—	—	—
(Loss)/Profit attributable to equity holders of the Company *(HK$'000)*	(15,361)	76	42,985	171
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)*	(16.04)	0.08	44.87	0.18

Diluted (loss)/profit per share

No diluted loss per share from continuing and discontinued operations for the nine months ended 31st December 2007, from continuing operations for the three months ended 31st December 2007, and from discontinued operations for the three months ended 31st December 2006 has been presented as the potential ordinary shares are anti-dilutive.

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

	For the nine months ended 31st December 2006 Continuing operations (Unaudited)	**For the three months ended 31st December 2006 Continuing operations** (Unaudited)	**For the three months ended 31st December 2007 Discontinued operations** (Unaudited)	**For the three months ended 31st December 2006 Discontinued operations** (Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	68,870	42,985	76	171
Adjustment for convertible bonds accrued interest expense	755	322	—	—
Adjusted profit attributable to equity holders of the Company *(HK$'000)*	69,625	43,307	76	171
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Adjustment for convertible bonds	127,713,920	127,713,920	127,713,920	127,713,920
Adjustment for non-redeemable preference shares	7,703,189,085	8,176,014,813	8,379,597,894	8,176,014,813
Weighted average number of ordinary shares for diluted profit per share	7,926,697,721	8,399,523,449	8,603,106,530	8,399,523,449
Diluted profit per share *(HK cents)*	0.88	0.52	0.00	0.00

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st December 2007.

10. SUBSCRIPTION RECEIVABLES

Up to 31st December 2007, the Company issued a total of approximately 13,373,254,000 non-redeemable preference shares, with a par value of HK$0.01 each, through placement, 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	7,383,167,000	792,847,000	5,197,240,000
Subscription price per share	HK$0.1566	HK$0.1566	HK$0.191
Aggregated subscription price	HK$1,156,204,000	HK$124,160,000	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 subscription monies are payable in cash by the subscribers in four equal instalments for the First Placement. For the First Tranche of the First Placement, the first instalment was received by the Company in February and March 2006 upon completion of the subscriptions. For the Second Tranche of the First Placement, the first instalment was received by the Company in September 2006. The second and third instalments have been received by the Company in October and December 2006 respectively in accordance with the terms of the preference shares and the remaining instalment are receivable in February 2009.

The subscription monies of the Second Placement are payable in cash by the subscribers in three equal instalments. The first was received by the Company in December 2007, upon completion of the subscription of the Second Placement. The remaining two instalments are receivable in February 2008 and February 2009 respectively provided that payment of the second instalment shall not be required unless at least 75% of the subscription monies previously received for investments have been paid out for or committed to investments for the Company.

In the event that the subscription monies 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 on 26th September 2005 (as amended and restated 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 monies remaining payable immediately prior to 28th February 2009 or, if earlier, the business day immediately preceding the date of conversion of the preference shares into ordinary shares, shall in any event be receivable by the Company on such date, as the case may be.

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

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

	As at 31st December 2007	**As at 31st March 2007**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Subscription receivables	1,653,095	991,313
Less: Future interest	(136,369)	(111,573)
Add: Amortised interest income	87,451	73,693
	1,604,177	953,433
Less: Subscriptions received	(671,222)	(671,222)
Subscription receivables	932,955	282,211
Less: Non-current portion	(605,185)	(282,211)
Current portion	327,770	—

The carrying amounts of subscription receivables approximately their fair values.

Amortised interest income recognised as income and included in finance income amounted to approximately HK$13,758,000 (nine months ended 31st December 2006: HK$68,969,000)

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

11. SHARE CAPITAL AND RESERVES

Movements in share capital and reserves are as follows:

	(Unaudited)						
	Attributable to equity holders of the Company						
	Ordinary share capital	Preference share capital	Other reserves *(note)*	Retained profits/ (Accumulated losses)	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1st April 2007	958	81,760	1,103,559	45,063	1,231,340	—	1,231,340
Loss for the period	—	—	—	(44,260)	(44,260)	(73)	(44,333)
Issuance of preference shares	—	51,972	915,904	—	967,876	—	967,876
Share issue expenses — preference shares	—	—	(5,865)	—	(5,865)	—	(5,865)
Capital contribution from minority interests	—	—	—	—	—	1,686	1,686
Translation adjustments	—	—	5,834	—	5,834	—	5,834
Increase in fair value of available-for-sale financial assets	—	—	307	—	307	—	307
Balances at 31st December 2007	958	133,732	2,019,739	803	2,155,232	1,613	2,156,845
Balances at 1st April 2006	958	73,832	996,489	(21,684)	1,049,595	—	1,049,595
Profit for the period	—	—	—	68,367	68,367	—	68,367
Issue of preference shares	—	7,928	106,267	—	114,195	—	114,195
Share issue expenses — preference shares	—	—	(731)	—	(731)	—	(731)
Translation adjustments	—	—	755	—	755	—	755
Balances at 31st December 2006	958	81,760	1,102,780	46,683	1,232,181	—	1,232,181

Note:

Other reserves comprise share premium, contributed surplus, equity portion of convertible bonds, capital reserve, investment revaluation reserve and cumulative translation adjustments. As at 31st December 2007, share premium amounted to approximately HK$1,993,677,000 (As at 31st December 2006: HK$1,083,643,000), contributed surplus amounted to approximately HK$8,984,000 (As at 31st December 2006: HK$8,984,000), equity portion of convertible bonds amounted to approximately HK$6,388,000 (As at 31st December 2006: HK$6,388,000), capital reserve amounted to approximately HK$2,700,000 (As at 31st December 2006: HK$2,700,000), investment revaluation reserve amounted to approximately HK$307,000 (As at 31st December 2006: Nil) and cumulative translation adjustments amounted to approximately HK$7,683,000 (As at 31st December 2006: HK$1,065,000)."

5. STATEMENT OF INDEBTEDNESS

Borrowings and securities

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

	As at 22nd May 2008 *HK$' million*
Secured	
Trust receipt loans	88.1
Bank overdraft	1.9
Finance lease obligations	15.2
	105.2
Unsecured	
Convertible bond	17.2
Finance lease obligations	0.1
	17.3
Total borrowings	122.5

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

The borrowings were secured by:

(i) guarantee provided by the Company; and

(ii) bills receivables of approximately HK$6.2 million.

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

Contingent Liabilities

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

Disclaimer

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

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

7. WORKING CAPITAL

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the operating results and business review of the Group extracted from the respective annual reports of the Company for the three years ended 31st March 2005, 2006 and 2007:

For the year ended 31st March 2005

"Financial and Business Performance

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

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

Financial resources and liquidity

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

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

Cash and cash equivalents

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

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

Investments

During the year, investments comprised equity interests in Stemcor.

Under a share subscription agreement with Stemcor, Stemcor has granted the iSteelAsia Group a put option under which the iSteelAsia Group may require Stemcor to repurchase all of the shares subscribed by the iSteelAsia Group for HK$23,400,000 (equivalent to US$3,000,000). The put option will be exercisable by the iSteelAsia Group no earlier than the date on which the amount of shareholders equity of Stemcor falls below 5,000,000 as shown in the management accounts of Stemcor from time to time or 30th April 2002, whichever is earlier, and no later than 31st October 2002 according to the Put Option Agreement. The due date for exercising the put option has been extended from 31st October 2002 to 31st October 2003 and further to 31st October 2004. At 13th May 2004, the iSteelAsia Group exercised its put option to sell its 3.5% equity interest in Stemcor for HK$23,400,000 which was satisfied by a nine-month promissory note issued by Stemcor. Subsequently, the promissory note was realised at the maturity date on 1st March 2005.

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

Foreign currency exposure

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

Number of employees and remuneration policies

As at 31st March 2005, the iSteelAsia Group employed 42 (2004: 80) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. The iSteelAsia Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred during the year under review amounted to approximately HK$9,416,000 (2004: HK$15,232,000)."

For the year ended 31st March 2006

"Financial and Business Performance

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

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

Foreign Currency Exposure

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

Contingent Liabilities

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

Number of Employees, Remuneration Policies and Share Option Scheme

As at 31st March 2006, the NAS Group employed 11 (2005: 42) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. Remuneration policies are reviewed annually by the management and remuneration packages are structured to take into account the comparable level of the market. The Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred during the year under review amounted to approximately HK$6,139,000 (2005: HK$9,416,000).

For the year ended 31st March 2007

"Finance and Business Performance

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

During the year, the Group recorded a net profit attributable to equity holders of approximately HK$66,747,000, versus net loss of approximately HK$11,988,000 for last year. The significant increase in net profit for the year was mainly due to recognition of interest income of approximately HK$73,693,000 related to the subscription receivables from the Company's preference shareholders in accordance with Hong Kong Accounting Standard 39. Excluding this interest income, the Group had a net loss of approximately HK$6,946,000 for the year. This was mainly because although the Group had aggregate post-acquisition net profit of approximately HK$25,531,000 from Amtec Group and Coland and earned bank interest income of approximately HK$13,917,000 in the year, these were more than offset by the service fees of approximately HK$20,896,000 paid by NAS to North Asia Strategic Advisors ("NASA") pursuant to a service agreement dated 26th September 2005 (as amended and restated on 30th December 2005) between them, amortization expenses of intangible assets totaling approximately HK$5,855,000 arising from the investments in Amtec Group and Coland, and other operating expenses of approximately HK$21,201,000 recorded by NAS headquarter during the year.

Liquidity and Financial Resources

As at 31st March 2007, NAS Group had bank and cash balance of approximately HK$491,452,000 (2006: HK$295,902,000), of which approximately HK$49,899,000 (2006: HK$3,055,000) was pledged to secure trade financing facilities of approximately HK$588,795,000 (2006: HK$6,000,000) granted by banks to its Group companies for trust receipts loans, mortgage loans and bank borrowings. These banking facilities were also secured by (a) corporate guarantees provided by 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$491,452,000 as at 31st March 2007, approximately HK$51,008,000 was denominated in Renminbi and deposited with the banks in China.

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

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

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

Foreign Currency Exposure

The NAS Group's businesses were primarily transacted in Hong Kong dollars, United States ("US") dollars, Japanese Yen ("Yen") and Renminbi ("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, the steel products, SMT equipments, fishmeal and fish oil purchases were mainly denominated in US dollars, Yen and Renminbi. With a comparatively immaterial fluctuation in exchange rates between US dollars with RMB and with Yen, the Group considers the foreign currency exposure was minimal for the year under review. The NAS Group will continue to monitor closely the exchange rate between US 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 2007, the Company had provided guarantees of approximately HK$295,712,000 (2006: HK$6,600,000) with respect to banking facilities made available to its subsidiaries.

Number of Employees and Remuneration Policies

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

9. OUTLOOK OF THE GROUP

The Group expects that its local customers in the PRC will continue to be affected by the credit tightening measures imposed by the Chinese government. For the surface mount trading machinery trading operation, it is expected that the demand for surface mount trading machinery will continue, primarily driven by the demand from the new and existing big multinational EMS customers in India, Vietnam and the Mainland China. The Group also sees that there are healthy repeat orders from its existing customer base. The Group will continue to improve its operating efficiency and manage its costs cautiously to strengthen its revenue stream and improve its profitability.

The jointly-controlled fishmeal and fish oil trading and processing operation conducted through Coland, has experienced increasing demand and market price on its high-quality fish oil since August 2007, particularly from overseas customers. As disclosed 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 the Group target to start its operation in autumn 2008. These new business lines, together with the expansion of Coland's fish oil processing capacity in Fuzhou of China to be completed in late 2008, will help strengthening Coland's revenue stream and improving Coland's profitability in the future.

For its quick service restaurant division, the Group opened its first Burger King restaurant in Tsim Sha Tsui, a renowned tourist spots in Hong Kong on 20th December 2007. The Group intends to open another five restaurants shortly, primarily in the business districts, shopping areas and tourist spots in Hong Kong.

The Group is confident in the underlying strength and the economies in which its business operates. Growing consumer demand and increased capital formation are expected to continue to underpin economic performance in Hong Kong, Macau, India, Vietnam and the Mainland China. The Group is taking strategic and tactical actions to mitigate risks in business cycles and epidemic in animals in our respective business divisions. The Group believes that these actions will facilitate future expansion in upstream, downstream and other similar markets.

On 31st December 2007, the Company successfully completed the placement of Preference Shares similar to our existing issued preference shares to 17 institutional and professional investors (the “Second Placement”) for a total of approximately HK$992.7 million before expenses. This Second Placement raised additional financial resources for the Group which strengthens its financial capability to pursue new investment opportunities and the capital base of the Company. The Group will also continue to seek new sizable investment opportunities in the acquisition of strategic stakes in profitable companies in North Asia with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses, where the Group’s competencies can deliver greater value to the Shareholders.

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

ERNST & YOUNG
安 永

The Board of Directors
North Asia Strategic Holdings Limited

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
13th June 2008

Dear Sirs,

We set out below our report on the financial information of TK Chemical Co., Ltd. ("TKC") for each of the three years ended 31st December 2005, 2006 and 2007 (the "Relevant Periods"), prepared on the basis set out in notes 1 and 2 of Section II below, for inclusion in the circular of the North Asia Strategic Holdings Limited ("NAS") dated 13th June 2008 (the "Circular") in connection with the proposed acquisition of 33.74% equity interest in TKC.

TKC was incorporated in the Republic of Korea with limited liability. TKC was principally engaged in manufacturing polyester fiber, PET resin and spandex. These three business divisions were transferred from Tongkook Corporation (the "Former Company"), a joint stock company established under the law of Korea, in January 2008.

As at the date of this report, no statutory audited financial statements have been prepared for TKC since the date of its incorporation as TKC has not been involved in any significant business transactions other than the acquisition of the three businesses of polyester fiber, PET resin and spandex (the "Acquired Businesses") in January 2008. The combined financial statements of the Acquired Businesses for each of the three years ended 31st December 2005, 2006 and 2007 were prepared in accordance with accounting principles generally accepted in Hong Kong.

The combined income statements, combined cash flow statements and combined statements of changes in equity of TKC for the Relevant Periods and the combined balance sheets of TKC as at 31st December 2005, 2006 and 2007 together with the notes thereto (the "Financial Information") have been prepared based on the basis set out in Section II below, to comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have examined and carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA, and have carried out such additional procedures as we consider necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of TKC are responsible for the preparation of the Financial Information. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, and judgement and estimates are made that are reasonable in the circumstances. It is our responsibility to form an independent opinion on such information in respect of the Relevant Periods and to report our opinion to you.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information gives, for the purpose of this report, and on the basis of presentation set out in Section II below, a true and fair view of the combined state of affairs of TKC as at 31st December 2005, 2006 and 2007 and of TKC's combined results and combined cash flows for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) Combined income statements

		Year ended 31st December		
		2005	**2006**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	*5*	4,924,308	5,002,962	5,978,993
Cost of sales		(4,823,363)	(4,852,805)	(5,245,960)
Gross profit		100,945	150,157	733,033
Other income and gains	*5*	45,820	80,337	13,608
Selling and distribution costs		(184,309)	(157,914)	(172,591)
Administrative expenses		(96,559)	(66,022)	(70,286)
Other expenses		(42,162)	(43,686)	(28,537)
Finance costs	*7*	(34,704)	(39,059)	(46,426)
PROFIT/(LOSS) BEFORE TAX	*6*	(210,969)	(76,187)	428,801
Tax	*10*	—	—	—
PROFIT/(LOSS) FOR THE YEAR		(210,969)	(76,187)	428,801

(b) Combined balance sheets

		At 31st December		
		2005	**2006**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	1,236,382	1,132,346	934,814
Other intangible assets	*12*	107	77	34
Investments and other financial assets	*13*	24,026	12,805	21,581
Total non-current assets		1,260,515	1,145,228	956,429
CURRENT ASSETS				
Inventories	*14*	202,799	150,115	182,706
Trade receivables	*15*	197,902	192,268	389,712
Prepayments, deposits and other receivables	*16*	70,648	39,093	17,540
Non-current assets held for sale	*17*	424	35,645	50,833
Cash and cash equivalents	*18*	103,853	44,675	219,495
Total current assets		575,626	461,796	860,286
CURRENT LIABILITIES				
Trade payables	*19*	970,587	770,239	621,313
Other payables and accruals	*20*	242,912	194,965	174,561
Interest-bearing bank borrowings	*21*	228,366	300,799	1,504,583
Total current liabilities		1,441,865	1,266,003	2,300,457
NET CURRENT LIABILITIES		(866,239)	(804,207)	(1,440,171)
TOTAL ASSETS LESS CURRENT LIABILITIES		394,276	341,021	(483,742)
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	*21*	1,184,175	1,300,830	—
Employee benefit liability	*23*	205,834	222,926	206,771
Other liabilities		1,445	—	—
Total non-current liabilities		1,391,454	1,523,756	206,771
Net liabilities		(997,178)	(1,182,735)	(690,513)
EQUITY				
Issued capital	*24*	—	—	—
Reserves		(997,178)	(1,182,735)	(690,513)
Total equity		(997,178)	(1,182,735)	(690,513)

(c) Combined statements of changes in equity

	Notes	Issued capital HK$'000 (note 24)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005		—	—	(812,976)	(812,976)
Exchange realignment		—	(12,949)	—	(12,949)
Actuarial gain from pension	23	—	—	39,716	39,716
Total income and expense for the year recognised directly in equity		—	(12,949)	39,716	26,767
Loss for the year		—	—	(210,969)	(210,969)
Total income and expense for the year		—	(12,949)	(171,253)	(184,202)
At 31 December 2005 and 1 January 2006		—	(12,949)	(984,229)	(997,178)
Exchange realignment		—	(94,042)	—	(94,042)
Actuarial loss from pension	23	—	—	(15,328)	(15,328)
Total income and expense for the year recognised directly in equity		—	(94,042)	(15,328)	(109,370)
Loss for the year		—	—	(76,187)	(76,187)
Total income and expense for the year		—	(94,042)	(91,515)	(185,557)
At 31 December 2006 and 1 January 2007		—	(106,991)	(1,075,744)	(1,182,735)
Exchange realignment		—	53,118	—	53,118
Actuarial gain from pension	23	—	—	10,303	10,303
Total income and expense for the year recognised directly in equity		—	53,118	10,303	63,421
Profit for the year		—	—	428,801	428,801
Total income and expense for the year		—	53,118	439,104	492,222
At 31 December 2007		—	(53,873)	(636,640)	(690,513)

(d) Combined cash flow statements

		Year ended 31st December		
		2005	2006	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		(210,969)	(76,187)	428,801
Adjustments for:				
Finance costs	*7*	34,704	39,059	46,426
Interest income		(3,633)	(2,502)	(5,383)
Gain on disposal of items of property, plant and equipment, net	*5*	(2,354)	(444)	(2,287)
Depreciation	*6*	209,444	187,853	168,283
Impairment of items of property, plant and equipment	*6*	9,572	—	—
Amortisation of intangible assets	*6*	1,779	40	37
Severance and retirement benefit, net		6,455	(16,891)	10,055
Loss on disposal of non-current assets held for sale	*6*	—	202	5,742
Write-down/(write-back) of inventories to net realisable value	*6*	7,983	(13,090)	(462)
		52,981	118,040	651,212
Decrease/(increase) in inventories		(38,437)	81,671	(37,303)
Decrease/(increase) in trade receivables		(40,425)	22,781	(227,422)
Decrease in prepayments, deposits and other receivables		117,622	36,244	20,834
Increase/(decrease) in trade payables		26,025	(278,277)	(101,133)
Decrease in other payables and accruals		(50,554)	(68,487)	(6,228)
Decrease in other liabilities		(3,724)	(1,520)	—
Net cash inflow/(outflow) from operating activities		63,488	(89,548)	299,960
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		4,676	2,879	4,754
Decrease/(increase) in investments and other financial assets		(8,832)	12,926	(10,436)
Purchases of non-current assets held for sale	*17*	—	—	(16,548)
Proceeds from disposal of non-current assets held for sale, net		70	244	2,991
Purchases of items of property, plant and equipment	*11*	(20,181)	(14,711)	(64,070)
Proceeds from disposal of items of property, plant and equipment		3,260	1,633	3,534
Net cash inflow/(outflow) from investing activities		(21,007)	2,971	(79,775)

	Note	Year ended 31st December 2005 HK$'000	2006 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank loans		225,400	290,056	309,885
Repayment of bank loans		(278,538)	(240,229)	(300,799)
Interest paid		(24,423)	(29,420)	(37,570)
Net cash inflow/(outflow) from financing activities		(77,561)	20,407	(28,484)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(35,080)	(66,170)	191,701
Effect of foreign exchange rate changes, net		19,351	16,088	(11,787)
Cash and cash equivalents at beginning of year		101,102	85,373	35,291
CASH AND CASH EQUIVALENTS AT END OF YEAR		85,373	35,291	215,205
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*18*	85,373	35,291	215,205

II. NOTES TO THE FINANCIAL INFORMATION

1. Corporate information

TK Chemical Co., Ltd. ("TKC") is a joint stock company incorporated in the Republic of Korea. The registered office of TKC is located at 14/F, Singsong Center Bldg., 25-12, Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea.

TKC is principally engaged in the business of manufacturing of (i) polyester fiber; (ii) spandex; and (iii) PET resin, which are materials widely used in the manufacturing of synthetic fabrics, yarns and plastic bottles. Such principal businesses are carried out by the Acquired Businesses which were transferred from the Former Company to TKC in January 2008 as part of the reorganisation with the Former Company.

2.1 Basis of presentation

Pursuant to the reorganisation mentioned above, the Acquired Businesses were under common control both before and after the completion of the reorganisation. As such, the Acquired Businesses were accounted for using merger accounting. The Financial Information has been prepared on the basis as if TKC has always engaged in the Acquired Businesses.

TKC has historically been managed as three business divisions, being manufacturing of polyester fiber, PET resin and spandex, within the Former Company and the operating assets, liabilities and results of TKC have been historically included as separately identifiable divisions within the Former Company. For the purposes of this Financial Information, the assets, liabilities and results of TKC have been carved out from the Former Company.

The combined income statements, combined statement of changes in equity and combined cash flow statements of TKC for the Relevant Periods have been prepared as if the current structure had been in existence throughout the Relevant Periods. The combined balance sheets of TKC as at 31 December 2005, 2006 and 2007 have been prepared to present the state of affairs of TKC as if the current structure had been in existence as at the respective dates.

Certain common overhead expenses of the Former Company are allocated to TKC based on its share of revenue, personnel or usage depending on the nature of the expenses. Directors believe these allocations are reasonable.

Pension assets and liabilities are initially determined based on the actuarial valuation performed for each individual defined benefit plan of each division.

Finance costs are calculated based on the borrowings transferred to TKC.

2.2 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. The Financial Information is presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 Impact of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1st January 2005, 1st January 2006 and 1st January 2007. For the purpose of preparing the Financial Information, TKC has early adopted the new and revised HKFRSs throughout the Relevant Periods as follows:

HKAS 1	Presentation of Financial Statements
HKAS 1 Amendment	Capital Disclosures
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitions and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 Amendment	The Fair Value Option
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-lnt 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of TKC's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the Financial Information. While there has been no effect on the financial position or results of operations of TKC, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements — Capital Disclosures

This amendment requires TKC to make disclosures that enable users of the financial statements to evaluate TKC's objectives, policies and processes for managing capital. These new disclosures are shown in note 28 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which TKC cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of TKC's equity instruments) are incurred by TKC for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As TKC has only issued equity instruments to its employees for identified services provided in accordance with TKC's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that TKC first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As TKC has no embedded derivative requiring separation from the host contract, the interpretation has had no impact on the financial position or results of operations of TKC.

TKC has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information:

HKFRS 2 Amendment	Share-based Payments — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HK(IFRIC)-lnt 11	HKFRS 2 — Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programme[2]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1st January 2009
2 Effective for annual periods beginning on or after 1st July 2008
3 Effective for annual periods beginning on or after 1st January 2008
4 Effective for annual periods beginning on or after 1st July 2009

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. TKC has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which TKC operates, and revenue from TKC's major customers. TKC expects to adopt HKFRS 8 from 1st January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As TKC's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on TKC. In accordance with the transitional provisions in the revised standard, TKC shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st January 2009.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to TKC's equity instruments, to be accounted for as an equity-settled scheme, even if TKC acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within TKC. As TKC currently has no such transactions, the interpretation is unlikely to have any financial impact on TKC.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As TKC currently has no such arrangements, the interpretation is unlikely to have any financial impact on TKC.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sales. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As TKC currently has no customer loyalty award credits, HK(IFRIC)-Int 13 is not applicable to TKC and therefore is unlikely to have any financial impact on TKC.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

TKC is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on TKC's results of operations and financial position.

2.4 Summary of significant accounting policies

Impairment of non-financial assets other than goodwill

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Related parties

A party is considered to be related to TKC if:

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

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

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

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

(e) the party is a post-employment benefit plan for the benefit of the employees of TKC, or of any entity that is a related party of TKC.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Freehold land	Not depreciated
Buildings and structures	4 to 60 years
Plant and machinery	2 to 15 years
Motor vehicles and others	3 to 10 years

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition subject only to the terms that are usual and customary for the sale of such assets and their sale must be highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Amortisation is recognised as an expense based on the straight-line method as follows:

Software	5 years
Others	5 to 20 years

Research and development costs

All research costs are charged to the income statement as incurred.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

TKC assesses whether a contract contains an embedded derivative when TKC first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

TKC determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to TKC.

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

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that TKC will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. In addition, TKC evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

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

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

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

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

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

Revenue recognition

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

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

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

Other employee benefits

(a) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual 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 and other post employment benefits

TKC operates a defined benefit pension plan for its directors and staff. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are directly recognised in equity in the period in which they occur. TKC's net commitment for the defined benefit plan which consists of the present value of pension commitment less the accumulated prepayments to the Korean National Pension Corporation (the "KNPC") is recognised on the balance sheet.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

In accordance with the Korean National Pension Law prior to revision, TKC had prepaid a portion of its severance and retirement benefit obligations to the KNPC at the rate of 3% of its payroll expense up through 31st March 1999. Such prepayments have been offset against TKC's liability for severance and retirement benefits. In accordance with a revision in the Korean National Pension Law, additions to these prepayments were no longer required starting from 1st April 1999.

(c) Bonus plans

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

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

The Financial Information is presented in Hong Kong dollar and the functional currency of TKC is in Korean Won. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As the functional currency of TKC is a currency other than Hong Kong dollar, as at the balance sheet date, the assets and liabilities of TKC are translated into the presentation currency at the exchange rate ruling at the balance sheet date, and the income statement is translated into Hong Kong dollar at the weighted average exchange rate for the year. The resulting exchange differences are included in the exchange fluctuation reserve.

For the purpose of the cash flow statement, the cash flows of TKC are translated into Hong Kong dollar at the weighted average exchange rate for the year.

3. Significant accounting judgements and estimates

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainly about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Impairment of assets

TKC determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the asset is allocated.

Estimating the value in use requires TKC to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Useful lives and impairment of property, plant and equipment

TKC's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Since TKC cannot enjoy tax benefits from unused tax losses and deductible temporary differences of the Former company, TKC has not recorded any deferred tax assets at 31st December 2005, 2006 and 2007.

Estimated impairment of receivables

TKC records impairment of receivables based on an assessment of the recoverability of trade receivables and prepayments, deposits and other receivables. The identification of doubtful debts requires the directors' estimates. Where the expectation is different from the original estimate, the difference will impact the carrying values of the trade receivables and prepayments, deposits and other receivables and doubtful debt expenses in the period in which the estimate has been changed.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed.

Impairment of non-financial assets

TKC assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

TKC's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of TKC's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) Polyester fiber;

(b) PET resin; and

(c) Spandex.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for TKC's business segments for the years ended 31st December 2005, 2006 and 2007.

Year ended 31st December 2005	**Polyester fiber**	**PET resin**	**Spandex**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	1,980,964	2,385,925	557,419	4,924,308
Segment results	(74,007)	35,478	(141,394)	(179,923)
Interest income and unallocated gains				45,820
Other unallocated expenses				(42,162)
Finance costs				(34,704)
Loss before tax				(210,969)
Tax				—
Loss for the year				(210,969)
Assets and liabilities				
Segment assets	895,400	300,561	425,827	1,621,788
Unallocated assets				214,353
Total assets				1,836,141
Segment liabilities	486,472	578,657	151,109	1,216,238
Unallocated liabilities				1,617,081
Total liabilities				2,833,319
Other segment information:				
Depreciation and amortisation	87,802	39,467	83,954	211,223
Impairment loss recognised in the income statement	20,080	—	—	20,080
Capital expenditure	12,377	1,395	6,409	20,181

Year ended 31st December 2006	Polyester fiber	PET resin	Spandex	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	1,908,036	2,392,782	702,144	5,002,962
Segment results	(53,699)	(41,107)	21,027	(73,779)
Interest income and unallocated gains				80,337
Other unallocated expenses				(43,686)
Finance costs				(39,059)
Loss before tax				(76,187)
Tax				—
Loss for the year				(76,187)
Assets and liabilities:				
Segment assets	838,837	276,176	381,572	1,496,585
Unallocated assets				110,439
Total assets				1,607,024
Segment liabilities	420,634	445,143	175,397	1,041,174
Unallocated liabilities				1,748,585
Total liabilities				2,789,759
Other segment information:				
Depreciation and amortisation	65,472	53,834	68,587	187,893
Impairment loss recognised in the income statement	—	—	—	—
Capital expenditure	9,315	487	4,909	14,711

Year ended 31st December 2007	Polyester fiber	PET resin	Spandex	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	2,077,414	2,704,979	1,196,600	5,978,993
Segment results	80,872	83,707	325,577	490,156
Interest income and unallocated gains				13,608
Other unallocated expenses				(28,537)
Finance costs				(46,426)
Profit before tax				428,801
Tax				—
Profit for the year				428,801
Assets and liabilities				
Segment assets	825,681	352,050	354,471	1,532,202
Unallocated assets				284,513
Total assets				1,816,715
Segment liabilities	321,139	409,319	162,962	893,420
Unallocated liabilities				1,613,808
Total liabilities				2,507,228
Other segment information:				
Depreciation and amortisation	81,460	25,820	61,040	168,320
Impairment loss recognised in the income statement	3,464	—	—	3,464
Capital expenditure	25,865	978	53,775	80,618

(b) ***Geographical segments***

The following tables present revenue and certain asset and expenditure information for TKC's geographical segments for the years ended 31 December 2005, 2006 and 2007.

Year ended 31 December 2005

	Korea	**Asia**	**Europe**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	3,787,789	558,197	578,322	4,924,308
Other segment information:				
Segment assets	1,836,141	—	—	1,836,141
Capital expenditure	20,181	—	—	20,181

Year ended 31 December 2006

	Korea	**Asia**	**Europe**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	4,117,964	385,479	499,519	5,002,962
Other segment information:				
Segment assets	1,607,024	—	—	1,607,024
Capital expenditure	14,711	—	—	14,711

Year ended 31 December 2007

	Korea	**Asia**	**Europe**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	4,783,673	843,402	351,918	5,978,993
Other segment information:				
Segment assets	1,816,715	—	—	1,816,715
Capital expenditure	80,618	—	—	80,618

5. Revenue, other income and gains

Revenue, which is also TKC's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts for the Relevant Periods.

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

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sale of goods	4,924,308	5,002,962	5,978,993
Other income			
Bank interest income	3,492	2,389	5,337
Interest income on loans receivable	139	85	40
Other interest income	2	28	6
Others	4,542	7,593	5,899
	8,175	10,095	11,282
Gains			
Gain on disposal of items of property, plant and equipment, net	2,354	444	2,287
Gain on foreign exchange differences, net	35,291	69,798	—
Others	—	—	39
	37,645	70,242	2,326
	45,820	80,337	13,608

6. Profit/(loss) before tax

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

		Year ended 31st December		
		2005	**2006**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Cost of inventories sold		3,707,105	3,781,186	4,117,465
Depreciation	*11*	209,444	187,853	168,283
Amortisation of intangible assets	*12*	1,779	40	37
Auditors' remuneration		790	660	778
Staff costs (including directors' remuneration):				
Wages and salaries		262,832	235,631	279,219
Retirement benefit expenses	*23*	33,271	33,798	33,717
		296,103	269,429	312,936
Impairment of trade receivables	*15*	10,508	—	3,464
Impairment of items of property, plant and equipment	*11*	9,572	—	—
Loss on disposal of non-current assets held for sale		—	202	5,742
Foreign exchange differences, net		(35,291)	(69,798)	2,529
Write-down/(write-back) of inventories to net realisable value	*14*	7,983	(13,090)	(462)

7. Finance costs

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans	30,641	30,378	36,820
Other finance costs:			
Provision discount adjustment	4,063	8,681	9,606
	34,704	39,059	46,426

8. Directors' remuneration

Directors' remuneration for the Relevant Periods, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Fees	1,412	1,231	1,387
Other emoluments:			
Salaries, allowance and benefits in kind	3,728	2,204	1,812
	5,140	3,435	3,199

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods, were as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Jin Won Sub	684	656	781
Mr. Kang Du Goo	182	44	—
Mr. Park Sun Yong	182	44	—
Mr. Yang Jung Ho	182	44	—
Mr. Lee Kwang Woo	182	44	—
Mr. Choi Byung Cheol	—	133	202
Mr. Choi Su Hwan	—	133	202
Mr. Sung Sik Kyung	—	133	202
	1,412	1,231	1,387

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2005			
Executive directors:			
Mr. Lee Dae Hoon	—	817	817
Mr. Kim Soo Kang	—	1,087	1,087
Mr. Kim Dong Sun	—	737	737
Mr. Baek Moon Hyun	—	1,087	1,087
	—	3,728	3,728
2006			
Executive directors:			
Mr. Lee Dae Hoon	—	181	181
Mr. Kim Soo Kang	—	245	245
Mr. Kim Dong Sun	—	172	172
Mr. Baek Moon Hyun	—	305	305
Mr. Park Mun Kyu	—	743	743
Mr. Kim Dong Hyun	—	558	558
	—	2,204	2,204
2007			
Executive directors:			
Mr. Park Mun Kyu	—	1,087	1,087
Mr. Kim Dong Hyun	—	725	725
	—	1,812	1,812

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

9. Five highest paid employees

The five highest paid employees of TKC during the Relevant Periods included 4 directors, 3 directors and 3 directors during the years ended 31st December 2005, 2006 and 2007, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining non-director, highest paid employees for the Relevant Periods are as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	714	1,317	1,816

The emoluments of each of the above highest paid individuals for each of the Relevant Periods fell within the range of nil to HK$1,000,000.

During the Relevant Periods, no remuneration was paid by TKC to the directors or any of the five highest paid employees as an inducement to join or upon joining TKC or as compensation for loss of office.

10. Tax

TKC is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of TKC are domiciled and operate. No provision for Hong Kong profits tax has been made as TKC had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

TKC is located in the Republic of Korea and is subject to corporate income taxes, including resident surtax, at the aggregate rates of 14.3% on taxable income up to KRW100,000,000 and 27.5% on taxable income in excess of KRW100,000,000 in the Republic of Korea.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which TKC is domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31st December					
	2005	%	**2006**	%	**2007**	%
Profit/(loss) before tax	(210,969)		(76,187)		428,801	
Tax at the statutory tax rate	(58,016)	27.5	(20,951)	27.5	117,920	27.5
Income not subject to tax	—		(3,039)		—	
Expenses not deductible for tax	1,777		—		420	
Tax losses utilised from previous periods	—		—		(118,340)	
Tax losses not recognised	56,239		23,990		—	
Tax charge at TKC's effective rate	—	—	—	—	—	—

TKC has not been charged to any taxation in 2005, 2006 and 2007 due to consistent tax losses. Further details are contained in note 22.

11. Property, plant and equipment

	Notes	Freehold land HK$'000	Buildings and structures HK$'000	Plant and machinery HK$'000	Motor vehicles and others HK$'000	Total HK$'000
At 31st December 2004 and at 1st January 2005:						
Cost		276,797	772,492	4,151,150	131,777	5,332,216
Accumulated depreciation and impairment		—	(228,907)	(3,571,320)	(111,184)	(3,911,411)
Net carrying amount		276,797	543,585	579,830	20,593	1,420,805
At 1st January 2005, net of accumulated depreciation and impairment		276,797	543,585	579,830	20,593	1,420,805
Additions		—	52	16,163	3,966	20,181
Disposals		—	—	(883)	(23)	(906)
Impairment	6	—	—	(9,572)	—	(9,572)
Depreciation provided during the year	6	—	(30,184)	(170,232)	(9,028)	(209,444)
Transfer to non-current assets held for sale	17	—	—	(488)	—	(488)
Transfer to inventories		—	—	—	(250)	(250)
Exchange realignment		3,642	6,755	5,458	201	16,056
At 31st December 2005, net of accumulated depreciation and impairment		280,439	520,208	420,276	15,459	1,236,382
At 31st December 2005:						
Cost		280,439	782,708	4,188,752	136,688	5,388,587
Accumulated depreciation and impairment		—	(262,500)	(3,768,476)	(121,229)	(4,152,205)
Net carrying amount		280,439	520,208	420,276	15,459	1,236,382
At 1st January 2006, net of accumulated depreciation and impairment		280,439	520,208	420,276	15,459	1,236,382
Additions		—	1,914	12,310	487	14,711
Disposals		—	—	(1,025)	(164)	(1,189)
Depreciation provided during the year	6	—	(42,169)	(138,220)	(7,464)	(187,853)
Transfer to non-current assets held for sale	17	—	—	(34,372)	—	(34,372)
Exchange realignment		25,494	45,800	32,232	1,141	104,667
At 31st December 2006, net of accumulated depreciation and impairment		305,933	525,753	291,201	9,459	1,132,346
At 31st December 2006:						
Cost		305,933	855,848	4,122,770	147,101	5,431,652
Accumulated depreciation and impairment		—	(330,095)	(3,831,569)	(137,642)	(4,299,306)
Net carrying amount		305,933	525,753	291,201	9,459	1,132,346
At 1st January 2007, net of accumulated depreciation and impairment		305,933	525,753	291,201	9,459	1,132,346
Additions		—	—	54,236	9,834	64,070
Disposals		(323)	(363)	—	(561)	(1,247)
Depreciation provided during the year	6	—	(31,949)	(132,306)	(4,028)	(168,283)
Transfer to non-current assets held for sale	17	(8,715)	(2,568)	—	—	(11,283)
Transfer to inventories		—	—	—	(8,880)	(8,880)
Exchange realignment		(21,207)	(35,063)	(15,223)	(416)	(71,909)
At 31st December 2007, net of accumulated depreciation and impairment		275,688	455,810	197,908	5,408	934,814
At 31st December 2007:						
Cost		275,688	778,271	3,804,741	117,168	4,975,868
Accumulated depreciation and impairment		—	(322,461)	(3,606,833)	(111,760)	(4,041,054)
Net carrying amount		275,688	455,810	197,908	5,408	934,814

At 31st December 2005, 2006 and 2007, certain of TKC's property, plant and equipment with net book values of approximately HK$1,236 million, HK$1,132 million and HK$935 million, respectively, were pledged to bank borrowings (note 26).

12. Other intangible assets

	Software *HK$'000*	Others *HK$'000*	Total *HK$'000*
31st December 2005			
Cost at 1st January 2005, net of accumulated amortisation	1,738	147	1,885
Amortisation provided for the year	(1,738)	(41)	(1,779)
Exchange realignment	—	1	1
At 31st December 2005	—	107	107
At 31st December 2005:			
Cost	17,228	580	17,808
Accumulated amortisation	(17,228)	(473)	(17,701)
Net carrying amount	—	107	107
31st December 2006			
Cost at 1st January 2006, net of accumulated amortisation	—	107	107
Amortisation provided for the year	—	(40)	(40)
Exchange realignment	—	10	10
At 31st December 2006	—	77	77
At 31st December 2006:			
Cost	18,794	634	19,428
Accumulated amortisation	(18,794)	(557)	(19,351)
Net carrying amount	—	77	77
31st December 2007			
Cost at 1st January 2007, net of accumulated amortisation	—	77	77
Amortisation provided for the year	—	(37)	(37)
Exchange realignment	—	(6)	(6)
At 31st December 2007	—	34	34
At 31st December 2007:			
Cost	17,452	588	18,040
Accumulated amortisation	(17,452)	(554)	(18,006)
Net carrying amount	—	34	34

13. Investments and other financial assets

		At 31st December		
		2005	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Long-term time deposits *(note (i))*	*18*	13,744	3,726	12,998
Available-for-sale investment *(note (ii))*		6	6	6
Club debenture at cost *(note (iii))*		1,715	1,871	1,737
Long-term receivables		2,008	2,066	2,017
Refundable deposits		6,553	5,136	4,823
		24,026	12,805	21,581

Notes:

(i) The average interest rates on long-term time deposits are 4.9%, 5.2% and 5.3% as at 31st December 2005, 2006 and 2007, respectively, and they have maturity of over one year as at the balance sheet date.

(ii) The available-for-sale investment, which is an unlisted equity security in the Republic of Korea, is stated at cost because the directors are of the opinion that its fair value cannot be measured reliably. TKC does not intend to dispose of the investment in the near future.

(iii) The club debenture is stated at cost because the directors are of the opinion that its fair value cannot be measured reliably. TKC does not intend to dispose of it in the near future.

14. Inventories

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	48,315	62,048	63,010
Work in progress	43,808	45,647	47,064
Finished goods	106,367	34,181	36,802
Inventories in transit	4,309	8,239	35,830
	202,799	150,115	182,706

The amounts of write-down/(write-back) of inventories recognised as an expense or income are HK$7,983,000, (HK$13,090,000) and (HK$462,000) in 2005, 2006 and 2007, respectively, which is recognised in "Cost of Sales".

15. Trade receivables

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	214,667	194,566	395,061
Less: Impairment	(16,765)	(2,298)	(5,349)
	197,902	192,268	389,712

TKC's trading terms with its customers are mainly on credit. The credit period is generally for a period of 90 days. TKC seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. TKC has provided an impairment loss on trade receivables based on past experience of collecting payments. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions for doubtful debts, is as follows:

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	190,446	190,796	385,405
1 – 3 months past due	773	1,471	3,398
4 – 9 months past due	5,747	1	909
Over 9 months past due	936	—	—
	197,902	192,268	389,712

TKC does not hold any collateral over these balances. The average age of these receivables by the invoice date are approximately 40 days, 10 days and 9 days as at 31st December 2005 and 2006 and 2007, respectively.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The movements in the provision for impairment of trade receivables are as follows:

		At 31st December		
		2005	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of year		7,859	16,765	2,298
Impairment loss recognised on receivables	*6*	10,508	—	3,464
Amounts written off as uncollectible		(1,844)	(15,421)	—
Exchange realignment		242	954	(413)
Balance at end of year		16,765	2,298	5,349

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with TKC. Based on past experience, the directors of TKC are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. TKC does not hold any collateral or other credit enhancements over these balances.

16. Prepayments, deposits and other receivables

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	9,917	2,284	3,478
Deposits and other receivables	60,731	36,809	14,062
	70,648	39,093	17,540

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. Non-current assets held for sale

		At 31st December		
		2005	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at 1st January		—	424	35,645
Transfer from owner-occupied property, plant and equipment	*11*	488	34,372	11,283
Additions		—	—	16,548
Disposals		(70)	(446)	(8,733)
Exchange realignment		6	1,295	(3,910)
Carrying amount at 31st December		424	35,645	50,833

The major classes of TKC's non-current assets held for sale as at each balance sheet date are as follows:

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
	—	—	13,638
Land	—	—	12,206
Buildings	424	35,645	24,989
Plant and machinery			
	424	35,645	50,833

18. Cash and cash equivalents

		At 31st December		
		2005	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances		85,373	35,291	215,205
Time deposits		32,224	13,110	17,288
		117,597	48,401	232,493
Less: Long-term time deposits	*13*	(13,744)	(3,726)	(12,998)
Cash and cash equivalents		103,853	44,675	219,495

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The average interest rates on short-term time deposits with maturity within one year are 3.3%, 3.8% and 5.5% as at 31st December 2005, 2006 and 2007.

19. Trade payables

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

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	485,305	316,336	340,952
1 to 2 months	432,809	241,134	211,635
2 to 3 months	48,897	152,035	64,810
Over 3 months	3,576	60,734	3,916
	970,587	770,239	621,313

The trade payables are non-interest-bearing and are normally settled on 45 days terms. The carrying amounts of these balances approximate to their fair values.

20. Other payables and accruals

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Deposits received and receipts in advance	38,755	33,959	19,030
Accruals and other liabilities	204,157	161,006	155,531
	242,912	194,965	174,561

Other payables are non-trade, unsecured and non-interest-bearing and have an average term of 90 days. The carrying amounts of other liabilities approximate to their fair values.

21. Interest-bearing bank borrowings

	Effective interest rate *(%)*	Maturity	At 31st December 2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*
Current					
Bank loans — secured	6.09	2008	228,366	300,799	1,504,583
Non-current					
Bank loans — secured	2.10	2008	1,184,175	1,300,830	—
			1,412,541	1,601,629	1,504,583

	At 31st December 2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*
Analysed into:			
Bank loans repayable:			
Within one year	228,366	300,799	1,504,583
In the second year	—	1,300,830	—
In the third to fifth years, inclusive	1,184,175	—	—
	1,412,541	1,601,629	1,504,583

TKC's bank loans are secured by mortgages over TKC's property, plant and equipment, which had aggregate carrying values of approximately HK$1,236 million, HK$1,132 million and HK$935 million as at 31st December 2005, 2006 and 2007, respectively.

Except for the secured bank loan of HK$378,804,000, HK$463,946,000 and HK$443,693,000 as at 31st December 2005, 2006 and 2007, respectively, which is denominated in United States dollar, all borrowings are in Koren Won ("KRW").

The carrying amounts of TKC's bank borrowings approximate to their fair values.

22. Deferred tax

Deferred tax assets are recognised for tax losses carry forward to the extent that the realisation of the related benefit through the future taxable profits is probable. TKC did not recognise deferred tax assets arising in the Republic of Korea of HK$85,674,000, HK$118,341,000 and Nil, as at 31st December 2005, 2006 and 2007 in respect of accumulated losses amounting to HK$311,540,000, HK$430,330,000 and Nil as at 31st December 2005, 2006 and 2007, respectively, in respect of these losses as TKC has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by TKC to its shareholders.

23. Employee benefit liability

The following tables summarise the components of net benefit expense recognised in the income statement for the defined benefit plan:

Net benefit expense

		Year ended 31st December		
		2005	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Current service cost		23,415	21,815	22,222
Interest cost on benefit obligation		9,856	11,983	11,495
Net benefit expense	*6*	33,271	33,798	33,717

Benefit liability

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Defined benefit obligation	214,465	231,227	213,666
Accumulated prepayments to the KNPC	(8,631)	(8,301)	(6,895)
Benefit liability	205,834	222,926	206,771

The movements in the defined benefit obligation recognised in the balance sheet are as follows:

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Defined benefit obligation at beginning of year	245,673	214,465	231,227
Interest cost	9,856	11,983	11,495
Current service cost	23,415	21,815	22,222
Benefits paid	(27,549)	(51,764)	(24,538)
Actuarial losses/(gains) on obligation	(39,716)	15,328	(10,303)
Exchange realignment	2,786	19,400	(16,437)
Defined benefit obligation at end of year	214,465	231,227	213,666

The actuarial gains and losses reported directly in equity are as follows:

	At 31st December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Cumulative gains at beginning of year	—	(40,239)	(28,002)
Recognised losses/(gains) during the year	(39,716)	15,328	(10,303)
Exchange realignment	(523)	(3,091)	2,736
Cumulative gains at end of year	(40,239)	(28,002)	(35,569)

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

	At 31st December		
	2005	**2006**	**2007**
	%	*%*	*%*
Discount rate	6.00	5.25	7.00
Future salary increases	5.00	5.00	5.00
Price inflation	2.50	2.50	2.50
Mortality rate:			
Pensioners at 25			
Male	0.116	0.116	0.116
Female	0.042	0.042	0.042
Pensioners at 30:			
Male	0.098	0.098	0.098
Female	0.050	0.050	0.050
Pensioners at 35:			
Male	0.118	0.118	0.118
Female	0.061	0.061	0.061
Pensioners at 40:			
Male	0.194	0.194	0.194
Female	0.084	0.084	0.084
Pensioners at 45:			
Male	0.333	0.333	0.333
Female	0.131	0.131	0.131
Pensioners at 50:			
Male	0.544	0.544	0.544
Female	0.201	0.201	0.201
Pensioners at 55:			
Male	0.878	0.878	0.878
Female	0.290	0.290	0.290
Termination rate:			
At 25	15.96	15.96	15.96
At 30	9.91	9.91	9.91
At 35	9.13	9.13	9.13
At 40	9.16	9.16	9.16
At 45	9.40	9.40	9.40
At 50	10.30	10.30	10.30
Retirement age	56	56	56

24. Share capital

The Acquired Businesses were not a separate entity from the Former Company during the Relevant Periods. Therefore, the below share capital notes are related to the Former Company.

	No. of shares	Amount
		KRW'000
Authorised ordinary shares of KRW5,000 each:		
As at 31st December 2005, 2006 and 2007	200,000,000	1,000,000,000
Issued and fully paid ordinary shares of KRW5,000 each:		
As at 31st December 2005, 2006 and 2007	7,606,451	38,032,255

25. Contingent liabilities

At the balance sheet date, TKC had no significant contingent liabilities.

26. Pledge of assets

Details of TKC's bank loans and overdrafts, which are secured by the assets of TKC, are included in note 11 to the financial statements.

27. Commitments

At the balance sheet date, TKC had no significant commitments.

28. Financial risk management objectives and policies

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

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

The main risks arising from TKC's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

TKC's income and operating cash flows are substantially independent of changes in market interest rates. TKC has no significant interest-bearing assets. TKC's exposure to the risk of changes in market interest rates relates primarily to TKC's bank loan obligations. Borrowings at floating rates expose TKC to cash flow interest rate risk. Borrowings at fixed rates expose TKC to fair value interest rate risk. TKC has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 60 basis points in interest rates would have no material impact on TKC's profit or loss during the Relevant Periods and there is no impact on TKC's equity.

Foreign currency risk

TKC's businesses are primarily transacted in United States dollar. The foreign currency exposure of TKC is mainly driven by its business operations. Sales receipts and payments for purchases are mainly denominated in United States dollar while its operating expenses are mainly denominated in KRW. TKC attempts to minimise its foreign exchange exposure through matching its operating costs and payments for purchases against its sales receipts.

The following table demonstrates the sensitivity analysis to a reasonably possible change in the United States dollar against KRW, with all other variables held constant, of the TKC's profit before tax.

	Increase/ decrease in United States dollar rate	**Effect on profit before tax**
		HK$'000
2007	+5%	(30,713)
	-5%	30,713
2006	+5%	(25,985)
	-5%	25,985
2005	+5%	(28,127)
	-5%	28,127

Credit risk

TKC trades only with recognized, creditworthy third parties. It is the TKC's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an going basis with the result that the TKC's exposure to bad debts is not significant. In addition, TKC does not have any significant credit risk as credit given to any individual or corporate entity is not significant.

The credit risk of TKC's other financial assets, which mainly comprise cash and cash equivalents, available-for-sale financial assets and loans, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Due to the capital intensive nature of TKC's business, TKC ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. TKC's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing loans. In the opinion of the directors of TKC, most of the borrowings that mature within one year are able to renew and TKC expects to have adequate sources of funding to finance TKC and manage the liquidity position.

The maturity profile of the TKC's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows:

	At 31st December 2005		
	Within 1 year or on demand	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	970,587	—	970,587
Other payables and accruals	242,912	—	242,912
Interest-bearing bank borrowings	228,366	1,184,175	1,412,541
Other liabilities	—	1,445	1,445
	1,441,865	1,185,620	2,627,485

	At 31st December 2006		
	Within 1 year or on demand	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	770,239	—	770,239
Other payables and accruals	194,965	—	194,965
Interest-bearing bank borrowings	300,799	1,300,830	1,601,629
	1,266,003	1,300,830	2,566,833

	At 31st December 2007		
	Within 1 year or on demand	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	621,313	—	621,313
Other payables and accruals	174,561	—	174,561
Interest-bearing bank borrowings	1,504,583	—	1,504,583
	2,300,457	—	2,300,457

Capital management

The primary objective of TKC's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

TKC manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, TKC may adjust the amount of issue new shares or sell assets to reduce debt.

TKC monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as the total interest-bearing bank borrowings (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity. TKC aims to maintain the debt-to-adjusted capital ratio at a reasonable level.

III. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31st December 2007:

(a) TKC acquired the net assets of the polyester fiber, PET resin and spandex divisions amounting to KRW39,998,310,000 (approximately HK$77,987,000) from the Former Company as at 31st January 2008 in accordance with the resolution of the shareholders' meeting held on 28th January 2008.

(b) TKC converted certain bank borrowings amounting to KRW39,950,000,000 (approximately HK$311,610,000) to share capital as at 25th February 2008 resulting in creditors such as Third SPC of Korea Development Bank, KCH SPC, and Resolution and Finance Corporation, becoming major shareholders of TKC.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

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

ERNST & YOUNG
安 永

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

13th June 2008

The Directors
North Asia Strategic Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group, being the Group (as defined herein) together with TK Chemical Holdings Co., Ltd. ("TKC" or the "Target Company") set out on pages 186 to 197 in Appendix III to the circular dated 13th June 2008 (the "Circular") issued by North Asia Strategic Holdings Limited (the "Company", and together with its subsidiaries are referred to as the "Group"). The Unaudited Pro Forma Financial Information which has been prepared by the directors for illustrative purposes only, to provide information about: (1) how the proposed acquisition of 33.74% equity interest in TKC by the Company (the "Acquisition"); and (2) how the financial assistance provided by the Group to Coland Group Limited ("Coland"), a 40% jointly controlled entity of the Company, might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed "Pro Forma Financial Information" in Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, set out on pages 186 to 197 to the Circular and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Enlarged Group or the Group as at 30th September 2007, 31st December 2007 or any future date; or

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

OPINION

In our opinion:

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

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

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

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(I) UNAUDITED PRO FORMA FINANCIAL INFORMATION IN RELATION TO THE VERY SUBSTANTIAL ACQUISITION

A. Unaudited Pro Forma Balance Sheet of the Enlarged Group

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

(1) the consolidated balance sheet of the Group as at 30th September 2007, as set out in the interim report of the Company dated 13th November 2007; and

(2) the audited balance sheet of TKC as at 31st December 2007, as set out in Appendix II to this Circular.

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

	The Group as at 30th September 2007	**33.74% of the Target Company as at 31st December 2007** *(Note 1)*	**Pro forma combined**	**Pro forma adjustments**		**Unaudited pro forma of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets						
Property, plant and equipment	56,593	315,406	371,999	365,970	*2c*	737,969
Investment properties	2,229	—	2,229	—		2,229
Leasehold land and land use right	18,714	—	18,714	—		18,714
Intangible assets	426,847	11	426,858	267,507	*2c*	694,365
Deferred tax assets	3,433	—	3,433	—		3,433
Investment and other financial assets	—	7,281	7,281	—		7,281
Subscription receivables	291,383	—	291,383	—		291,383
Available-for-sales financial assets	3,256	—	3,256	—		3,256
Total non-current assets	802,455	322,698	1,125,153			1,758,630

	The Group as at 30th September 2007	33.74% of the Target Company as at 31st December 2007 *(Note 1)*	Pro forma combined	Pro forma adjustments	Notes	Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current assets						
Inventories	305,830	61,645	367,475	—		367,475
Trade receivables	186,989	131,489	318,478	—		318,478
Prepayments, deposits and other receivables	20,219	5,918	26,137	—		26,137
Non-current asset held for sale	—	17,151	17,151	—		17,151
Finance lease receivables	2,781	—	2,781	—		2,781
Pledged bank deposits	47,732	—	47,732	—		47,732
Cash and cash equivalents	358,209	74,058	432,267	(390,000)	*2a*	42,267
Total current assets	921,760	290,261	1,212,021			822,021
Current liabilities						
Borrowings	189,768	507,646	697,414	—		697,414
Trade payables	247,417	209,631	457,048	—		457,048
Accruals and other payables	29,609	58,897	88,506	10,498	*2d*	99,004
Receipts in advance	11,687	—	11,687	—		11,687
Current income tax liabilities	14,085	—	14,085	—		14,085
Derivative financial instruments	191	—	191	—		191
Total current liabilities	492,757	776,174	1,268,931			1,279,429
Net current assets/(liabilities)	429,003	(485,913)	(56,910)			(457,408)
Total assets less current liabilities	1,231,458	(163,215)	1,068,243			1,301,222

	The Group as at 30th September 2007	33.74% of the Target Company as at 31st December 2007 *(Note 1)*	Pro forma combined	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Non-current liabilities						
Borrowings	6,748	—	6,748	—		6,748
Convertible bonds	16,351	—	16,351	—		16,351
Deferred tax liabilities	1,454	—	1,454	—		1,454
Employee benefit liability	—	69,764	69,764	—		69,764
Total non-current liabilities	24,553	69,764	94,317			94,317
Net assets/(liabilities)	1,206,905	(232,979)	973,926			1,206,905
Equity						
Capital and reserves attributable to equity holders of the Company:						
Share capital	82,718	—	82,718	—		82,718
Reserves	1,122,562	(232,979)	889,583	232,979	*2b*	1,122,562
	1,205,280	(232,979)	972,301			1,205,280
Minority interest	1,625	—	1,625	—		1,625
Shareholders' equity	1,206,905	(232,979)	973,926			1,206,905

B. Unaudited Pro Forma Income Statement of the Enlarged Group

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

(1) the audited consolidated income statement of the Group for the year ended 31st March 2007, as set out in the annual report of the Company dated 21st June 2007; and

(2) the audited income statement of TKC for the year ended 31st December 2007, as set out in Appendix II to this Circular.

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

	The Group year ended 31st March 2007	**33.74% of the Target Company year ended 31st December 2007** *(Note 1)*	**Pro forma combined**	**Pro forma adjustments**	**Unaudited pro forma of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	559,327	2,017,312	2,576,639	—	2,576,639
Cost of sales	(481,974)	(1,769,987)	(2,251,961)	—	(2,251,961)
Gross profit	77,353	247,325	324,678		324,678
Other gains — net	5,676	2,775	8,451	—	8,451
Selling and distribution expenses	(20,425)	(58,232)	(78,657)	—	(78,657)
General and administrative expenses	(75,726)	(23,714)	(99,440)	—	(99,440)
Other operating expenses	—	(9,629)	(9,629)	—	(9,629)
Finance income	90,021	1,816	91,837	—	91,837
Finance costs	(7,163)	(15,664)	(22,827)	—	(22,827)
Profit before income tax	69,736	144,677	214,413		(214,413)
Income tax expense	(2,989)	—	(2,989)	—	(2,989)
Profit attributable to equity holders of the Company	66,747	144,677	211,424		(211,424)
Dividends	—	—	—		—

C. Unaudited Pro Forma Cash Flow Statement of the Enlarged Group

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

(1) the audited consolidated cash flow statement of the Group for the year ended 31st March 2007, as set out in the annual report of the Company dated 21st June 2007; and

(2) the audited cash flow statement of TKC for the year ended 31st December 2007, as set out in Appendix II of the Circular.

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

	The Group year ended 31st March 2007	**33.74% of the Target Company year ended 31st December 2007** *(Note 1)*	**Pro forma combined**	**Pro forma adjustments**	**Unaudited pro forma of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow from operating activities					
Profit before tax	69,736	144,677	214,413	—	214,413
Finance income	(90,021)	(1,816)	(91,837)	—	(91,837)
Finance costs	7,163	15,664	22,827	—	22,827
Depreciation of property, plant and equipment	2,017	56,779	58,796	—	58,796
Depreciation of investment property	18	—	18	—	18
Amortisation of intangible assets	5,861	12	5,873	—	5,873
Amortisation of leasehold land and land use right	60	—	60	—	60
(Gain)/loss on disposal of property, plant and equipment	396	(771)	(375)	—	(375)
Write-back of provisoin for inventories	(188)	(156)	(344)	—	(344)
Severance and retirement benefit, net	—	3,393	3,393	—	3,393
Loss on disposal of non-current assets held for sale	—	1,937	1,937	—	1,937

	The Group year ended 31st March 2007 HK$'000	33.74% of the Target Company year ended 31st December 2007 (Note 1) HK$'000	Pro forma combined HK$'000	Pro forma adjustments HK$'000	Unaudited pro forma of the Enlarged Group HK$'000
Operating profit/(loss) before working capital changes	(4,958)	219,719	214,761	—	214,761
Increase in inventories	(22,506)	(12,586)	(35,092)	—	(35,092)
Decrease/(increase) in trade receivables	41,787	(76,732)	(34,945)	—	(34,945)
Decrease in prepayments, deposits and other receivables	5,570	7,029	12,599	—	12,599
Decrease in trade payables	(31,621)	(34,122)	(65,743)	—	(65,743)
Decrease in accruals and other payables	(15,487)	(2,101)	(17,588)	—	(17,588)
Increase in receipts in advance	15,316	—	15,316	—	15,316
Increase in deferred subscription payables	32,676	—	32,676	—	32,676
Translation adjustments	1,228	(3,977)	(2,749)	—	(2,749)
Cash generated from operations	22,005	97,230	119,235		119,235
Interest paid	(6,093)	—	(6,093)	—	(6,093)
Mainland China enterprise income tax refunded	(922)	—	(922)	—	(922)
Net cash inflow from operating activities	14,990	97,230	112,220		112,220

	The Group year ended 31st March 2007 *HK$'000*	33.74% of the Target Company year ended 31st December 2007 *(Note 1)* *HK$'000*	Pro forma combined *HK$'000*	Pro forma adjustments *HK$'000*	*Note*	Unaudited pro forma of the Enlarged Group *HK$'000*
Cash flows from investing activities						
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(462,284)	—	(462,284)	—		(462,284)
Increase in investment in jointly controlled entity, net of cash and cash equivalents acquired	(85,475)	—	(85,475)	(378,093)	*2a*	(463,568)
Additions of property, plant and equipment	(2,652)	(21,617)	(24,269)	—		(24,269)
Proceeds from disposal of property, plant and equipment	4,729	1,192	5,921	—		5,921
Interest received	16,328	1,604	17,932	—		17,932
Increase in pledged bank deposits	(14,887)	—	(14,887)	—		(14,887)
Increase in investments and other financial assets	—	(3,521)	(3,521)	—		(3,521)
Additions of non-current assets held for sale	—	(5,583)	(5,583)	—		(5,583)
Proceeds from disposals of non-current assets held for sale	—	1,009	1,009	—		1,009
Net cash used in investing activities	(544,241)	(26,916)	(571,157)			(949,250)

	The Group year ended 31st March 2007 HK$'000	33.74% of the Target Company year ended 31st December 2007 *(Note 1)* HK$'000	Pro forma combined HK$'000	Pro forma adjustments HK$'000	Note	Unaudited pro forma of the Enlarged Group HK$'000
Cash flows from financing activities						
Issue of preference shares	93,120	—	93,120	—		93,120
Receipt of subscription receivables	578,102	—	578,102	—		578,102
Share issue expenses	(741)	—	(741)	—		(741)
New short-term bank loans	322,676	104,555	427,231	—		427,231
Repayment of short-term bank loans	(315,200)	(101,490)	(416,690)	—		(416,690)
Interest paid	—	(12,676)	(12,676)	—		(12,676)
Net cash generated from/(used in) financing activities	677,957	(9,611)	668,346			668,346
Net increase/(decrease) in cash and bank balances	148,706	60,703	209,409			(168,684)
Cash and bank balances at beginning of the year	292,847	11,907	304,754	(11,907)	*2a*	292,847
Cash and bank balances at end of year	441,553	72,610	514,163	(390,000)	*2a*	124,163

Notes:

1. In accordance with the Group's accounting policy, the Group's interests in jointly controlled entities are accounted for using proportionate consolidation. As such, the Group combines its 33.74% share of the Target Company's 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 with reference to the balance sheet, income statement and cash flow statement as set out in Appendix II to this Circular.

2a. The adjustment represents the total consideration of KRW50,000,000,000 (approximately HK$390,000,000) in connection with the Acquisition, which will be satisfied by cash.

2b. The adjustment represents the elimination of the pre-acquisition reserve of TKC of HK$232,979,000.

2c. The adjustment represents the goodwill arising on Acquisition of HK$267,507,000, taking into account (i) the 33.74% of net asset value of TKC attributable to shareholders of HK$132,991,000 as at 31st December 2007; and (ii) the 33.74% share of valuation gain on property, plant and equipment of HK$365,970,000 with reference to the revaluation performed by Korea Appraisal Board on 31st January 2008.

2d. The adjustment represents the estimated direct legal and professional costs related to the Acquisition for, among others, the preparation of this Circular, which amounts to approximately HK$10,498,000.

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

Unaudited Pro Forma Balance Sheet of the Group

The unaudited pro forma balance sheet of the Group has been prepared to provide information on the Group as a result of the Guarantee Agreement based on the consolidated balance sheet of the Group as at 30th September 2007, as set out in the interim report of the Company dated 13th November 2007.

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

	The Group as at 30th September 2007 *HK$'000*	**Pro forma adjustment** *(Note 1)* *HK$'000*	**Unaudited pro forma of the Group** *HK$'000*
Non-current assets			
Property, plant and equipment	56,593	—	56,593
Investment properties	2,229	—	2,229
Leasehold land and land use right	18,714	—	18,714
Intangible assets	426,847	—	426,847
Deferred tax assets	3,433	—	3,433
Subscription receivables	291,383	—	291,383
Available-for-sales financial assets	3,256	—	3,256
Total non-current assets	802,455		802,455
Current assets			
Inventories	305,830	—	305,830
Trade receivables	186,989	—	186,989
Prepayments, deposits and other receivables	20,219	—	20,219
Financial lease receivables	2,781	—	2,781
Pledged bank deposits	47,732	—	47,732
Cash and cash equivalents	358,209	—	358,209
Total current assets	921,760		921,760

	The Group as at 30th September 2007 *HK$'000*	Pro forma adjustment *(Note 1)* *HK$'000*	Unaudited pro forma of the Group *HK$'000*
Current liabilities			
Borrowings	189,768	—	189,768
Trade payables	247,417	—	247,417
Accruals and other payables	29,609	—	29,609
Receipts in advance	11,687	—	11,687
Current income tax liabilities	14,085	—	14,085
Derivative financial instruments	191	—	191
Total current liabilities	492,757		492,757
Net current assets	429,003		429,003
Total assets less current liabilities	1,231,458		1,231,458
Non-current liabilities			
Borrowings	6,748	—	6,748
Convertible bonds	16,351	—	16,351
Deferred tax liabilities	1,454	—	1,454
Total non-current liabilities	24,553		24,553
Net assets	1,206,905		1,206,905
Equity			
Capital and reserves attributable to equity holders of the Company:			
Share capital	82,718	—	82,718
Reserves	1,122,562	—	1,122,562
	1,205,280		1,205,280
Minority interest	1,625		1,625
Shareholders' equity	1,206,905		1,206,905

Note:

1. The adjustment represents share of guarantee fee received from Coland amounting to HK$800,000 as per the agreement dated 9th May 2008 between the Group and Coland, less 60% to be shared by the Coland Shareholders of HK$480,000, for providing guarantees in favour of the lenders in respect of the loans of Coland.

   Pursuant to another agreement between the Coland Shareholders and Coland, the Coland Shareholders will also provide guarantees in favour of the Lenders with terms similar to the Guarantee Agreement. The maximum guarantee fee payable by Coland to the Coland Shareholders will be amounted to HK$1,200,000, less 60% to be shared by the Coland Shareholders of HK$720,000.

   In addition to the above, the related guarantee income received by the Group has been eliminated against the guarantee fee paid by Coland. As such, there is no impact on the assets and liabilities on the Group as a result of the financial assistance provided by the Group and Coland Shareholders to Coland.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

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

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

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

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 Hong Kong, the Chairman of Hong Kong United Youth Association, the Vice Chairman of Shanghai Youth Federation, the Member of Board of Shanghai Fudan University, the Member of the University Court of The University of Hong Kong, the Alumni Board of Harvard Business School, the Founder of Shanghai Chapter of Youth Presidents' Organisation (YPO) and the Member of the Barristers Disciplinary Tribunal Panel. He was also the Winner of the Young Industrialist Award of Hongkong in 2004.

Non-executive Director

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

Independent non-executive Directors

Mr. Philip Ma King Huen, aged 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.

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

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

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

Senior Management

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

Ms. Grace Luk Pui Yin, Chief Financial Officer, aged 43, joined the Company in August 2005. Ms. Luk was the Director and Financial Controller of Kleinwort Benson China Management Limited, the Investment Manager of the London-listed China Investment & Development Fund. This Fund invested in 12 joint ventures with substantial manufacturing operations in China and completed divestment of its portfolio before 2003. She was also 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 joining Kleinwort Benson, Ms. Luk was department head of the category financial management department at Colgate-Palmolive (H.K.) Limited and was an auditor at Arthur Andersen & Co in Hong Kong. She received her Bachelor degree in Business Administration from the Chinese University of Hong Kong. She is a

Fellow of the UK Association of Chartered Certified Accountants, an Associate of both the UK Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Luk is the qualified accountant of the Company.

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

3. DISCLOSURE OF INTERESTS

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

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

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

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

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

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

Notes:

1. These interests represented:

   (i) a deemed interest in 1,598,113 shares of the Company owned by Huge Top. 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. Van Shung Chong (B.V.I.) Limited ("VSC BVI") owns 54% of the issued share capital of TN and Mr. Yao owns 10% of the issued share capital of TN. Mr. Yao is one of the two directors of TN. VSC BVI is a wholly-owned subsidiary of VSC of which Huge Top owns approximately 45.59%. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by TN; and

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

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

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

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

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

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

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

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

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

Substantial shareholders (interests related to ordinary shareholders)

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

Substantial shareholders (interests related to preference shareholders)

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

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

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

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

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

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

Other persons (interests related to preference shareholders)

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SERVICE CONTRACT

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

5. COMPETING INTERESTS

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

6. LITIGATION

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

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

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

7. MATERIAL CONTRACTS

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

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

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

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

(d) the facility agreement dated 14th August 2006 (as supplemented by a subsequent agreement dated 13th September 2006) and the deed of charge dated 14th September 2006 entered into by Autron, Amtec, other subsidiaries of Autron named therein and ABN AMRO Bank N.V. ("ABN") in relation to the term loan facility of US$45.0 million granted by ABN to Autron, for which the entire share capital of Amtec was pledged by Autron to ABN as security. The security was released upon the full repayment of the said facility when the Group completed the acquisition of the entire issued share capital of Amtec and AIP on 3rd November 2006;

(e) the subscription agreement dated 16th October 2006 entered into among Good Tactics, Coland, the Coland Shareholders and the Company in relation to the subscription of the Coland Preferred Shares by Good Tactics, details of which are set out in the circular of the Company dated 10th November 2006;

(f) the Coland Shareholders' Agreement;

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

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

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

(j) the Guarantee Agreement; and

(k) the Agreement.

8. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

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

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31st March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. AUDIT COMMITTEE

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

10. CONSENT

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

11. QUALIFICATION

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

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

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31st March 2007 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. PROCEDURES FOR DEMANDING A POLL BY THE SHAREHOLDERS

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

(a) by the chairman of such meeting; or

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

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

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

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

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

13. GENERAL

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

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

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

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

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

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

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

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including 30th June 2008 and at the Special General Meeting:

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

(b) the annual reports of the Company for each of the two years ended 31st March 2006 and 2007, the interim report for the six months ended 30th September 2007 and the quarterly reports for each of the three months ended 30th June 2007 and 31st December 2007;

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

(d) the draft Shareholders' Agreement;

(e) the accountants' report on TKC, the texts of which are set out in Appendix II to this circular;

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

(g) the consent letter issued by Ernst & Young referred to in the paragraph headed "Consent" in this appendix; and

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

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

NOTICE IS HEREBY GIVEN that a special general meeting of North Asia Strategic Holdings Limited (the "Company") will be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 30th June 2008, for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

(A) "**THAT**:

(a) the conditional agreement ("SP Agreement") dated 30 April 2008 entered into among (i) North Asia Strategic (Singapore) Pte. Ltd. ("NASS") as purchaser and (ii) SMT Chemical Co., Ltd. and TK Chemical Holdings Co., Ltd. (together "SMG") as assignors of their rights or to procure the assignment of the rights to purchase a total of 2,699,347 common shares of KRW5,000 (equivalent to approximately HK$39) each in the share capital of TK Chemical Co., Ltd. ("TKC Common Share") representing 33.74% of the total issued TKC Common Shares for a consideration of KRW50 billion (equivalent to approximately HK$390 million) (a copy of the SP Agreement has been produced to this meeting and marked "A" and initialed by the chairman for identification purpose) and all the transactions contemplated thereunder, including without limitation the entering into of the shareholders' agreement ("Shareholders' Agreement", a copy of which has been produced to this meeting and marked "B" and initialed by the chairman for identification purpose) by NASS and SMG on or before completion of the SP Agreement, be and are hereby approved, confirmed and ratified; and

* *For identification purpose only*

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

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

Hong Kong, 13th June 2008

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

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

Notes:

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

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

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

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