THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Northern International Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

北方興業控股有限公司*

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF PROPERTY

A letter from the board of directors of Northern International Holdings Limited is set out on pages 3 to 9 of this circular.

A notice convening the SGM to be held at Falcon Room 1, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong, on 30 August 2006 at 11:00 a.m. is set out on pages 92 to 93 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrars, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

* *For identification purpose only*

14 August 2006

CONTENTS

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

"Board"	the board of Directors
"Company"	Northern International Holdings Limited
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Agreement
"Directors"	the directors of the Company
"Disposal"	the sale of the Property by the Vendor to the Purchaser in accordance with the terms and conditions of the Agreement
"Disposal Completion"	completion of the Disposal in accordance with the terms of the Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	independent third party(ies) who is/are independent of and not connected with the Company and any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"Latest Practicable Date"	11 August 2006, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Letter of Agreement"	an agreement dated 8 July 2006 between the Purchaser and the Vendor in relation to the Disposal
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China
"Property"	中國廣東省番禺區魚窩頭鎮沙灣大橋南岸東側的北方工業城 (Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the PRC)[#] (including the land, and the buildings and fixtures within the area)

"Purchaser"	廣州市海珠區鳳陽街五鳳經濟聯合社 (Wufeng Economic Association, Feng Yang Street, Haizhu District, Guangzhou)#, which and whose ultimate beneficial owners are to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
"Remaining Group"	the Group remained subsequent to the Disposal
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting to be convened on 30 August 2006 for, inter alia, approving the Agreement and the Disposal
"Share(s)"	share(s) of HK$0.20 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"sq.m."	square metres
"%"	per cent.

denotes English translation of a Chinese company or entity or address and is provided for identification purposes only.

In this circular, conversion of HK$ into RMB is based on the exchange rate of HK$1.00 = RMB1.03.

北方興業控股有限公司*

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

Board of Directors:

Executive:
Chong Sing Yuen
Au Tat On
Lu Xiao Dong
Wong Siu Keung, Joe

Independent non-executive:
Cheng Kwok Hing, Andy
Yeung King Wah
Yeung Yuen Hei

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Block A, 2nd Floor
Man Foong Industrial Building
7 Cheung Lee Street
Chaiwan
Hong Kong

14 August 2006

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF PROPERTY

INTRODUCTION

It was announced on 8 July 2006, Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company, and the Purchaser entered into the Letter of Agreement, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to acquire the Property at a total consideration of RMB75 million in cash.

The Disposal constitutes a very substantial disposal transaction on the part of the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Disposal is conditional on approval by the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder nor the Directors have a material interest in the Disposal. No Shareholder is required to abstain from voting to approve the Disposal at the SGM.

* *For identification purpose only*

The purpose of this circular is to give you, amongst other things, further details of (i) the terms of Disposal; (ii) other disclosures in connection with the Disposal required pursuant to the Listing Rules in respect of a very substantial disposal; and (iii) a notice of SGM for the purpose of approving the Disposal.

THE LETTER OF AGREEMENT

Date: 8 July 2006

Parties:

Purchaser: 廣州市海珠區鳳陽街五鳳經濟聯合社 (Wufeng Economic Association, Feng Yang Street, Haizhu District, Guangzhou)[#]

Vendor: Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules), and the Purchaser is principally engaged in investment holding including property investment.

Asset to be disposed of

The asset to be disposed of by the Vendor is its entire interest in the Property. Details of the Property are set out in the section headed "Information on the Property" in this circular.

Consideration

The consideration for the Disposal is RMB75 million payable in cash, as follows:-

(i) RMB1 million has been paid by the Purchaser as initial deposit and part of the payment of the consideration upon the signing of the Letter of Agreement; and

(ii) the remaining balance of RMB74 million shall be payable upon obtaining of land use right certificate and the building ownership certificates for the Property by the Purchaser under the arrangement for transfer of title of the Property.

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchaser having taken into account (i) the valuation of the Property of approximately HK$77.0 million (equivalent to approximately RMB79.3 million) as at 30 June 2006 conducted by an independent professional valuer, namely Castores Magi (Hong Kong) Limited; and (ii) the illiquid industrial property market where there is very few readily available purchasers.

Completion of the Disposal will take place within five days upon payment of the consideration for the Disposal by the Purchaser.

Other principal terms

- The Vendor shall convene a Shareholders' meeting for approving the necessary resolution approving the Disposal.
- The Vendor shall procure the release or cancellation of the mortgage or charge on the Property. Once released or cancelled, the Vendor and the Purchaser shall enter into a formal agreement for sale and purchase of the Property within 80 days from the date of the Letter of Agreement.
- In the event that (i) the necessary resolution approving the Disposal is not passed at the Shareholders' meeting; or (ii) the Vendor is unable to enter into a formal agreement for sale and purchase of the Property within 80 days at its default, the Vendor will be deemed to have breached the Letter of Agreement and the Vendor shall pay a total of RMB2 million, being double of the initial deposit of RMB1 million, to the Purchaser. In the event of any breach of the Letter of Agreement by the Purchaser, the Vendor will be entitled to retain the initial deposit of RMB1 million.

The Director (including independent non-executive Directors) would like to state that it is a normal practice in the property market that the purchaser and vendor first enter into a provisional sale and purchase agreement (in this case, the Letter of Agreement) and follow with a formal sale and purchase agreement, where normally there is a deposit as earnest moneys to be paid to the vendor at the time of signing the provisional sale and purchase agreement, and such deposit will be forfeited (in this case, a total of RMB2 million, representing approximately 2.7% of the total consideration of RMB75 million) should the vendor does not proceed to enter into a formal sale and purchase agreement. The Director (including independent non-executive Directors) considers that the Letter of Agreement is entered into after an arm's length negotiation between the Purchaser and the Vendor and the terms therein are in accordance with the normal practice in the property market and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PROPERTY

The Property is situated at 中國廣東省番禺區魚窩頭鎮沙灣大橋南岸東側的北方工業城 (Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the PRC)[#] and was acquired and built in the first half of 1992. The Property consists of all the buildings (including 4 factory premises, 2 warehouses and 4 staff dormitories) and fixtures situated within such land with an area of approximately 65,500m^2 and a gross floor area of approximately 75,000m^2 (of which approximately 67,000m^2 are supported with building ownership certificates and the remaining area is temporarily built). The Property is being used for purposes of (i) leasing out as to a gross floor area of approximately 37,000m^2; and (ii) own use as to a gross floor area of approximately 32,000m^2 by the Group.

The rental income and the relevant taxation attributable to the Property were approximately RMB3.0 million and RMB0.15 million for the financial years ended 31 March 2005, and approximately RMB2.7 million and RMB0.135 million for 31 March 2004 respectively. The Property is currently pledged to secure banking facilities with an annual interest rate of approximately 6% provided to the Group in the amount of approximately RMB28.9 million, out of which approximately RMB16.9 million has expired in the end of July 2006; approximately RMB4 million will expire in the end of November 2006 and approximately RMB8 million will expire in December 2006. The Company has not repaid the aforesaid banking facility of approximately RMB16.9 million which has expired in the end of July 2006 yet and the lender thereof has verbally agreed to extend the facility in view that proceeds from the Disposal is still subject to the Shareholders' approval. The lending bank has not indicated how long the facility will be extended.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

In view that the industrial property market is rather illiquid, where there is few fluctuation in valuation and there is very few readily available purchasers and vendors, the Directors consider that it is good opportunity for the Company dispose of the Property especially under the circumstances that the Company has identified an independent purchaser and the disposal price is only at a small discount to the valuation of the Property given there being very few readily available purchasers for industrial properties. The Board intends to use the proceeds from the Disposal (i) as to approximately RMB28.9 million to repay the outstanding loans under the banking facilities secured by the Property (such loans are under the first priority to repay by the Company); and (ii) as to the balance of approximately RMB41.1 million as general working capital of the Group. By the Disposal, the Group will be able (i) to alleviate its financial burden resulting from the interest payment; (ii) to strengthen its financial position by lowering its gearing; and (iii) to increase its working capital.

The Company proposes to lease back a block of factory and a three-storey staff dormitory under the Property for manufacturing snap off blade cutters and the Purchaser has undertaken to the Vendor that upon completion of the Disposal, Tung Hing Plastic (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company, can lease back at a rent not higher than the market rent of RMB12 per m^2 of not less than three years. Details of the arrangement for the proposed lease-back will be announced by the Company when appropriate. Upon the expiry of leaseback period in future, the Company may either continue with the lease should the Board consider that the rent is at a market rate, or seek other appropriate places to continue its business of manufacturing and sale of snap off blade cutters. The Directors (including independent non-executive Directors) consider that it is not difficult to find others places in the proximity to the Property to continue with its business of manufacturing of snap off blade cutters given there being lots of such places in Panyu, the PRC, and other nearby cities available, and that it will not take much time nor involve many resources for any necessary arrangement for relocation of the equipment and machinery to other location. Therefore, the Directors (including independent non-executive Directors) are of the view that there will be no material impact on the business operations of the Group as a result of the Disposal.

There is a fee of RMB5 million payable by the Vendor to an agent, namely Ground Auction Guangdong Co. Ltd., which, to the best knowledge of the Directors, is a auction company and a third party independent of the Company and its connected persons (as defined under the Listing Rules), for arranging the sale of the Property and the processing of title transfer of the Property. The Directors (including independent non-executive Directors) consider that fee payable to agents for sale of industrial properties in the PRC depends on the location, scale, function or value of properties, and the fee of RMB5 million in respect of the Disposal is at a market rate.

Despite that the consideration for the Disposal is at a discount to the valuation of the Property as the industrial property market is rather illiquid and that the Vendor is required to pay a fee of RMB5 million to the agent, the Directors (including independent non-executive Directors) are of the view that given that the fee payable to the agent is at the market rate and the Disposal will allow the Group to alleviate its financial burden resulting from the interest payment, to strengthen its financial position by lowering its gearing, and to increase its working capital, the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Group will continue to look for potential investments in properties, especially commercial properties, should opportunities arise in future.

FINANCIAL EFFECTS OF THE DISPOSAL

The Disposal is expected to realize a gain of approximately RMB4.0 million (being the difference between the net proceeds from the Disposal of approximately RMB70 million (after taking into account amongst others a commission of RMB5 million payable to an agent pursuant to the Disposal) and the unaudited net book value of the Property of approximately RMB66.0 million as at 30 June 2006) and will be reflected in the consolidated accounts of the Company for the year ending 31 March 2007. The unaudited net book value of the Property as at 30 September 2005 under the 2005 interim report of the Company was shown as the sum of (i) approximately HK$21.5 million under the classification of “Property, plant and equipment” which was marked to market value; (ii) approximately HK$40.8 million under the classification of “Investment property” which was marked to market value; and (iii) approximately HK$2.0 million under the classification of “Leasehold land and land use rights” which was marked as historical cost minus depreciation. Upon completion of the Disposal, the Group’s net assets will increase by approximately HK$3.9 million. The information regarding the effect of the Disposal on the earnings and assets and liabilities of the Group can be referred in details in “Appendix III” in this circular.

Notwithstanding that the commission payable to the agent amounts to RMB5 million which the Directors (including independent non-executive Directors) consider to be fair and reasonable, the net price for the Property is still the highest amongst those prices offered by other potential purchasers.

INFORMATION ON THE COMPANY AND THE GROUP

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise the manufacture and sale of snap off blade cutters and electronic consumer products, which include toys and home appliances, and property investment.

GENERAL

The Disposal constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules.

The SGM will be held to consider and, if thought fit, pass the necessary resolution to approve the Disposal. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM.

SGM

The Disposal constitutes a very substantial disposal transaction on the part of the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Disposal is conditional on approval by the Shareholders at the SGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, no shareholder nor the Directors have a material interest in the Disposal. No Shareholder is required to abstain from voting to approve the Disposal at the SGM.

A notice convening the SGM at Falcon Room 1, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 30 August 2006 at 11:00 a.m. is set out on pages 92 to 93 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrars, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

There was no (i) voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; or (ii) obligation or entitlement whereby any Shareholders had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of their Shares to a third party, either generally or on a case-by-case basis as at the Latest Practicable Date.

There is no discrepancy between the beneficial shareholding interest of any Shareholders in the Company as disclosed in this circular and the numbers of Shares in respect of which they will control or will be entitled to exercise control over the voting rights at the SGM.

PROCEDURES FOR DEMANDING A POLL

According to the Bye-laws of the Company, before or on the declaration of the result of voting on a show of hands on a resolution at the SGM, a poll may be demanded by:

(a) 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

(b) any 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 10 per cent. of the total voting rights of all the members having the right to vote at the meeting; or

(c) any 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 10 per cent. of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Directors consider that the Disposal are fair and reasonable to the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to note in favour of the ordinary resolution to be proposed at the SGM in respect of the Disposal.

FURTHER INFORMATION

Your attention is drawn to the appendices to this circular which contain certain additional information in relation to the Company.

Yours faithfully,
For and on behalf of
Northern International Holdings Limited
Chong Sing Yuen
Chairman

(I) PROFIT AND LOSS STATEMENT OF THE PROPERTY

Operating results of rental business attributable to the Property

	Year ended 31 March		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Rental income	2,583	2,837	2,900
Administrative expenses	(132)	(138)	(144)
Profit for the year	2,451	2,699	2,756

Profit and loss statement of the Property for the three financial years ended 31 March 2006 set out above has been prepared by the Directors based on information shown in the underlying books and records of the Vendor.

(II) VALUATION OF THE PROPERTY

	HK$'000
As at:	
30 June 2006	77,010
31 March 2006	77,570
31 March 2005	77,120
31 March 2004	79,340

The above profit and loss statement of the Property and valuation of the Property have been reviewed by the auditors of the Company to ensure that such information has been properly compiled and derived from the underlying books and records.

1. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE TWO YEARS ENDED 31 MARCH 2006

Set out below are the modified opinions of fundamental uncertainty relating to the going concern basis for preparing the Group's financial statements for the two years ended 31 March 2006 issued by the Company's auditors as extracted from the Company's annual report 2005 and 2006. Save for the modified opinions referred below, the Company's auditors have not issued any qualified or modified opinion on the Group's financial statements for the two years ended 31 March 2006.

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong
General: +852 2894 6888
Facsimile: +852 2895 3752
E-mail: info@ccifcpa.com.hk
www.ccifcpa.com.hk

AUDITORS' REPORT TO THE SHAREHOLDERS OF
NORTHERN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the financial statements of the Group have been prepared on a going concern basis, notwithstanding that the Group sustained a net loss from ordinary activities attributable to shareholders of HK$19,636,769 during the year, reported net current liabilities of HK$26,557,653 as at 31 March 2005, and reported a net cash outflow from operating activities of HK$10,771,124 for the year. Various measures have been initiated by the Group subsequent to the balance sheet date to improve the Group's liquidity position in the immediate foreseeable future.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures currently undertaken by the Group as detailed in note 2 to the financial statements and the attainment of profitable and positive cash flow operations by the Group in the longer term. The financial statements do not include any adjustments that may be necessary should the implementation of such measures and the attainment of profitable and positive cash flow operations be unsuccessful. We consider that appropriate disclosures regarding the above fundamental uncertainty have been made in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 22 July 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

CCIF

CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF NORTHERN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 31 to 109 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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

BASIS OF OPINION

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

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

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group's financial statements have been prepared on a going concern basis, the validity of which is dependent upon the successful outcome of the measures undertaken as described in note 2 to the financial statements to ensure that adequate cash resources are available to the Group to enable it to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from the failure of such measures. We consider that appropriate disclosures have been made in the financial statements and our opinion is not qualified in this respect.

OPINION

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

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 25 July 2006

Chan Wai Dune, Charles
Practising Certificate Number P00712

Set out below are the audited financial statements for the two years ended 31 March 2006 as extracted from the Company's audited report 2006. The Company's auditors have issued modified opinions of fundamental uncertainty relating to the going concern basis for preparing the Group's financial statements for the two years ended 31 March 2006 as referred above.

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 March 2006

	Notes	**2006** *HK$*	**2005** *HK$* (restated)
Turnover	8	99,122,366	70,084,060
Cost of sales		(103,367,006)	(64,855,361)
Gross (loss)/profit		(4,244,640)	5,228,699
Other revenue	8	3,072,555	2,572,216
Distribution costs		(7,855,894)	(6,181,382)
Administrative expenses		(18,273,821)	(17,492,204)
Other operating expenses		(6,375)	(1,144,990)
Loss from operations	9	(27,308,175)	(17,017,661)
Finance costs	10	(2,387,099)	(2,107,764)
Loss before taxation		(29,695,274)	(19,125,425)
Taxation	13	(107,748)	(511,344)
Loss for the year		(29,803,022)	(19,636,769)
Attributed to:			
Equity shareholders of the Company	14	(29,803,022)	(19,636,769)
Loss for the year		(29,803,022)	(19,636,769)
LOSS PER SHARE	15		
– Basic		HK10.80 cents	HK0.41 cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 March 2006

	Notes	2006 HK$	2005 HK$ (restated)
Non-current assets			
Property, plant and equipment	16	31,172,423	30,281,775
Investment properties	17	41,021,222	40,816,010
Interests in leasehold land held for own use under operating leases	18	4,351,938	4,523,254
Interests in associates	20	–	–
Deferred tax assets	31	5,724	37,924
		76,551,307	75,658,963
Current assets			
Inventories	21	12,073,678	20,469,604
Trade and bills receivables	22	8,139,100	10,389,460
Other receivables, deposits and prepayments		2,722,882	4,258,604
Pledged deposits	23	500,000	500,000
Cash and cash equivalents	23	310,189	4,199,721
		23,745,849	39,817,389
Current liabilities			
Trade payables	24	12,622,220	11,083,400
Other payables and accruals		11,695,737	10,475,356
Due to associates	25	–	1,655,405
Due to directors	26	3,135,539	4,206,329
Due to a related party	27	13,941,893	14,270,547
Obligations under finance leases	28	742,961	229,914
Interest-bearing borrowings	29	40,603,814	22,794,721
Tax payable	30	1,766,284	1,659,370
		84,508,448	66,375,042
Net current liabilities		(60,762,599)	(26,557,653)
Total assets less current liabilities		15,788,708	49,101,310

CONSOLIDATED BALANCE SHEET *(Continued)*
31 March 2006

	Notes	2006 HK$	2005 HK$ (restated)
Non-current liabilities			
Interest-bearing borrowings	29	1,270,754	17,441,209
Obligations under finance leases	28	188,174	9,178
		1,458,928	17,450,387
NET ASSETS		14,329,780	31,650,923
CAPITAL AND RESERVES			
Share capital	32	58,299,577	48,699,577
Reserves	34	(43,969,797)	(17,048,654)
Total equity attributable to equity shareholders of the Company		14,329,780	31,650,923
TOTAL EQUITY		14,329,780	31,650,923

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2006

	Share capital *HK$*	Share premium *HK$*	Goodwill *HK$*	Buildings revaluation reserve *HK$*	Special reserve *HK$*	Exchange fluctuation reserve *HK$*	Retained profits/ (accumu-lated losses) *HK$*	Total *HK$*
At 1 April 2004, as previously reported	48,038,077	24,482,848	(22,478,515)	13,138,946	(11,152,801)	51,728	7,710,678	59,790,961
Effect of the changes in accounting policies	–	–	–	(13,138,946)	–	(163,837)	4,558,112	(8,744,671)
At 1 April 2004, as restated	48,038,077	24,482,848	(22,478,515)	–	(11,152,801)	(112,109)	12,268,790	51,046,290
Exercise of share options	661,500	–	–	–	–	–	–	661,500
Expenses incurred in an open offer	–	(420,098)	–	–	–	–	–	(420,098)
Net loss for the year	–	–	–	–	–	–	(19,636,769)	(19,636,769)
At 31 March 2005, as restated	48,699,577	24,062,750	(22,478,515)	–	(11,152,801)	(112,109)	(7,367,979)	31,650,923
At 1 April 2005	48,699,577	24,062,750	(22,478,515)	–	(11,152,801)	(112,109)	(7,367,979)	31,650,923
Effect of the changes in accounting policies	–	–	22,478,515	–	–	–	(22,478,515)	–
At 1 April 2005, as restated	48,699,577	24,062,750	–	–	(11,152,801)	(112,109)	(29,846,494)	31,650,923
Issue of new shares	9,600,000	2,880,000	–	–	–	–	–	12,480,000
Share issuance expenses	–	(66,462)	–	–	–	–	–	(66,462)
Share consolidation expenses	–	(132,849)	–	–	–	–	–	(132,849)
Exchange realignment	–	–	–	–	–	(345,206)	–	(345,206)
Surplus on revaluation	–	–	–	578,596	–	–	–	578,596
Deferred tax credited in the revaluation reserve	–	–	–	(32,200)	–	–	–	(32,200)
Net loss for the year	–	–	–	–	–	–	(29,803,022)	(29,803,022)
At 31 March 2006	58,299,577	26,743,439	–	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780
Reserves retained by the Company and subsidiaries								
At 31 March 2006	58,299,577	26,743,439	–	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780
At 31 March 2005	48,699,577	24,062,750	(22,478,515)	–	(11,152,801)	(112,109)	(7,367,979)	31,650,923

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2006

	2006	2005
	HK$	*HK$* (restated)
Operating activities		
Loss before taxation	(29,695,274)	(19,125,425)
Adjustments for:		
Amortisation of land lease premium	114,359	112,861
Finance costs	2,387,099	2,107,764
Interest income	(16,603)	(24,059)
Depreciation	3,204,900	3,593,246
Gain on disposal of investment property	–	(1,093,960)
(Surplus)/deficit on fair value of investment properties	(205,212)	1,144,990
Surplus on revaluation of buildings	(828,679)	(125,200)
Impairment for bad and doubtful debts	–	340,986
Impairment for slow-moving and obsolete inventories	53,265	1,280,051
Written back of provision for due from associates	(770,825)	–
Foreign exchange loss, net	271,998	28,397
Operating loss before changes in working capital	(25,484,972)	(11,760,349)
Decrease/(increase) in inventories	8,342,661	(6,842,302)
Decrease/(increase) in trade and bills receivables	2,250,360	(3,120,664)
Decrease/(increase) in other receivables, deposits and prepayment	1,535,722	(1,026,537)
Decrease in due from associates	–	3,000,000
Increase in trade payables	1,538,820	1,318,965
Increase in other payables and accruals	1,220,381	2,165,896
(Decrease)/increase in due to associates	(884,580)	1,655,405
(Decrease)/increase in due to directors	(1,070,790)	3,917,162
Cash used in operations	(12,552,398)	(10,692,424)
Tax paid	(21,268)	(78,700)
Net cash used in operating activities	(12,573,666)	(10,771,124)
Investing activities		
Purchase of property, plant and equipment	(3,228,086)	(1,369,438)
Interest received	16,603	24,059
Net proceeds from disposal of investment property	–	7,093,960
Decrease in pledged deposits	–	4,500,000
Net cash (used in)/generated from investing activities	(3,211,483)	10,248,581

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
Year ended 31 March 2006

	2006	2005
	HK$	*HK$* (restated)
Financing activities		
Proceeds from issue of shares	12,480,000	661,500
Expenses paid for an open offer	–	(420,098)
Net inception/(repayment) of bank loans	1,513,730	(1,782,812)
Net repayment of other loans	–	(1,122,642)
Inception of finance leases	1,615,000	–
Capital element of finance lease rentals paid	(922,957)	(991,749)
Interest element of finance lease rentals paid	(71,231)	(10,326)
Interest paid	(2,315,868)	(2,097,438)
Share issuance expenses	(199,311)	–
Repayment/advance from related parties	(328,654)	12,548,849
Net cash generated from financing activities	11,770,709	6,785,284
Net (decrease)/increase in cash and cash equivalents	(4,014,440)	6,262,741
Cash and cash equivalents, at beginning of year	3,698,445	(2,564,296)
Cash and cash equivalents, at end of year	(315,995)	3,698,445
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	310,189	4,199,721
Secured bank overdrafts	(626,184)	(501,276)
	(315,995)	3,698,445

BALANCE SHEET
31 March 2006

	Notes	2006 HK$	2005 HK$
Non-current assets			
Plant and equipment	16	6,390	34,382
Interests in subsidiaries	19	62,887,652	54,441,716
		62,894,042	54,476,098
Current assets			
Other receivables, deposits and prepayments		–	336,750
Cash and cash equivalents	23	6,389	255,285
		6,389	592,035
Current liabilities			
Other payables and accruals		1,372,747	1,523,236
Due to an associate	25	–	764,450
Due to directors	26	3,135,539	556,329
Due to a related party	27	13,505,000	5,660,000
		18,013,286	8,504,015
Net current liabilities		(18,006,897)	(7,911,980)
NET ASSETS		44,887,145	46,564,118
CAPITAL AND RESERVES			
Share capital	32	58,299,577	48,699,577
Reserves	34	(13,412,432)	(2,135,459)
TOTAL EQUITY		44,887,145	46,564,118

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

2. BASIS OF PRESENTATION – FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The Group sustained a net loss from ordinary activities attributable to shareholders of HK$29,803,022 (2005: HK$19,636,769) during the year, reported net current liabilities of HK$60,762,599 (2005: HK$26,557,653) as at 31 March 2006, and reported a net cash outflow from operating activities of HK$12,573,666 (2005: net of HK$10,771,124) for the year.

Notwithstanding concerns on its liquidity concerns as at 31 March 2006, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made subsequent to the balance sheet date as further detailed below:

a) On 18 May 2006, the Company entered into a conditional agreement with a subscriber for the subscription of 58,000,000 new shares of HK$0.2 each at a price of HK$0.23 per share for a total of HK$13,340,000, before expenses. The subscription is conditional on the granting of a listing of and permission to deal in the new shares by the Listing Committee of the Stock Exchange of Hong Kong Limited, details of which are set out in note 39 (a) to the financial statements.

b) Very substantial disposal transaction, details of which are set out in note 39 (b) to the financial statements.

In the opinion of the directors, in light of the measures and arrangements implemented to date, together with the expected results of other measures and arrangements in progress and as planned, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to achieve the above and continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements presented on note 4.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except investment properties and properties held for own use are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 6.

c) SUBSIDIARIES AND CONTROLLED ENTITIES

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealized profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been reversed.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(i)), unless the investment is classified as held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) ASSOCIATES

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the group's share of the associate's net assets, unless it is classified as held for sale.

The consolidated income statement includes the group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

When the group's share of losses exceeds its interest in the associate, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the group's interest in the associate is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associate, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

In the company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 3(i)), unless it is classified as held for sale.

e) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

f) PROPERTY, PLANT AND EQUIPMENT

Properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land	2% or over the lease terms, whichever is shorter
–	Leasehold improvements	20%
–	Plant and machinery	20% – 25%
–	Furniture and fixtures	20%
–	Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

g) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 3(h)) to earn rental income and / or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in income statement. Rental income from investment properties is accounted for as described in note 3(q)(iv).

h) LEASED ASSETS

i) Classification of assets leased to the group

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) LEASED ASSETS *(Continued)*

ii) Assets acquired under finance leases

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the company or group will obtain ownership of the asset, the life of the asset, as set out in note 3(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(i). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

iii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

i) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease;
- investments in subsidiaries and associates; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) IMPAIRMENT OF ASSETS *(Continued)*

– Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

j) INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

k) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

l) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

n) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in income statement over the period of the borrowings using the effective interest method.

o) TAXATION

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

o) **TAXATION** *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

p) **PROVISIONS AND CONTINGENT LIABILITIES**

Provisions are recognised for liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

q) **REVENUE RECOGNITION**

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

i) Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

iii) Management fee income is recognised when the services are provided.

iv) Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the income statement on disposal.

s) BORROWING COSTS

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

t) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

u) EMPLOYEE BENEFITS

i) Short term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) EMPLOYEE BENEFITS *(Continued)*

ii) Employment Ordinance long service payments

Certain of the group's employees have completed the required number of years of service to the group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the group.

iii) Share option scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

v) SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the group and company after the adoption of these new and revised HKFRSs have been summarised in note 3. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 42).

The adoption of the new and revised HKFRSs has the following impacts on the Group's accounting policies:

– HKAS 1 has affected the presentation and disclosure of the financial statements;

– HKASs 8, 27, 28 and 33 have affected the disclosure of the financial statements;

– HKASs 2, 7, 10, 12, 14, 16, 18, 19, 21, 23, 32, 36, 37, 39, HKFRS 3, HKAS-Int 15 and HKAS-Int 21 have no material effect on the Group's accounting policies; and

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights and leasehold land from property, plant and equipment to operating leases.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

a) Restatement of prior periods and opening balances

Consolidated balance sheet for the year ended 31 March 2005

	2005 (as previously reported) *HK$*	Effect of new policy HKAS 17 (decrease in net assets for the year) *HK$*	2005 (as restated) *HK$*
Non-current assets			
Property, plant and equipment	48,961,765	(18,679,990)	30,281,775
Investment properties	40,816,010	–	40,816,010
Interests in leasehold land held for own use under operating leases	–	4,523,254	4,523,254
Interest in associates	–	–	–
Deferred tax assets	–	37,924	37,924
	89,777,775	(14,118,812)	75,658,963
Current assets			
Inventories	20,469,604	–	20,469,604
Trade and bills receivables	10,389,460	–	10,389,460
Other receivables, deposits and prepayments	4,258,604	–	4,258,604
Pledged deposits	500,000	–	500,000
Cash and cash equivalents	4,199,721	–	4,199,721
	39,817,389	–	39,817,389
Current liabilities			
Trade payables	11,083,400	–	11,083,400
Other payables and accruals	10,475,356	–	10,475,356
Due to associates	1,655,405	–	1,655,405
Due to directors	4,206,329	–	4,206,329
Due to related parties	14,270,547	–	14,270,547
Obligations under finance leases	229,914	–	229,914
Interest bearing borrowings	22,794,721	–	22,794,721
Tax payable	1,659,370	–	1,659,370
	66,375,042	–	66,375,042
Net current liabilities	(26,557,653)	–	(26,557,653)
Total assets less current liabilities	63,220,122	(14,118,812)	49,101,310

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

a) Restatement of prior periods and opening balances *(Continued)*

Consolidated balance sheet for the year ended 31 March 2005 *(Continued)*

	2005 (as previously reported) *HK$*	Effect of new policy HKAS 17 (decrease in net assets for the year) *HK$*	2005 (as restated) *HK$*
Non-current liabilities			
Interest-bearing borrowings	17,441,209	–	17,441,209
Obligations under finance leases	9,178	–	9,178
Deferred tax liabilities	5,326,687	(5,326,687)	–
	22,777,074	(5,326,687)	17,450,387
NET ASSETS	40,443,048	(8,792,125)	31,650,923
CAPITAL AND RESERVES			
Attributable to equity shareholders of the company			
Share capital	48,699,577	–	48,699,577
Share premium	24,062,750	–	24,062,750
Goodwill	(22,478,515)	–	(22,478,515)
Buildings revaluation reserve	13,186,400	(13,186,400)	–
Special reserve	(11,152,801)	–	(11,152,801)
Exchange fluctuation reserve	51,728	(163,837)	(112,109)
Accumulated losses	(11,926,091)	4,558,112	(7,367,979)
TOTAL EQUITY	40,443,048	(8,792,125)	31,650,923

b) Share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when option holders were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the options' exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognised the fair value of such share options as an expense, or as an asset, if the cost qualifies for recognition of an asset under the Group's accounting policies, with a corresponding increase recognised in a capital reserve within equity.

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognizes the fair value in the period in which the options are granted.

If an option holder chooses to exercises options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

4. **CHANGES IN ACCOUNTING POLICIES** *(Continued)*

b) **Share option scheme (HKFRS 2, Share-based payment)** *(Continued)*

The Group has taken advantage of the transitional provisions set out in HKFRS 2 under which the new recognition and measurement policies have not been applied to the following options:

– all options granted to option holders on or before 7 November 2002; and

– all options granted to option holders after 7 November 2002 but which had vested before 1 April 2005.

Details of the share option scheme are set out in note 33.

As all the Group's options were granted to option holders before 7 November 2002, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior and current years.

c) **Amortisation of goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets and HKAS 38, Intangible assets)**

HKFRS 3 Business Combinations is effective for business combinations for which the agreement date is on or after 1 January 2005. The option of limited retrospective application of HKFRS 3 has not been taken up, thus avoiding the need to restate past business combinations.

In previous years, in accordance with the predecessor standard, Statement of Standard Accounting Practice 30 Business Combinations (SSAP 30), goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional rules in HKFRS 3. Goodwill previously recognized in reserves of approximately HK$22,478,515 has been transferred to the Group's retained earnings on 1 April 2005. Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods.

With effect from 1 April 2005, in order to comply with HKFRS 3, HKAS 36 and HKAS 38, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Impairment losses are recognised when the carrying amount of the cash generated unit to which the goodwill had been allocated exceeds its recoverable amount.

In accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserve (i.e. goodwill which arose before 1 April 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances. Hence, there is no effect on the Group's net assets and results for prior and current years.

d) **Leasehold land and buildings held for own use (HKAS 17, Leases)**

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With effect from 1 April 2005, in order to comply with HKAS 17, the group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

d) Leasehold land and buildings held for own use (HKAS 17, Leases) *(Continued)*

Further details of the new policy are set out in notes 3(f) and 3(h). Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment.

The accounting policy has been adopted retrospectively. The adjustments for each financial statement line item affected for 31 March 2005 are set out in note 4.

e) Investment property (HKAS 40, Investment property and HKAS-Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets)

Timing of recognition of movements in fair value in the income statement

In prior years movement in the fair value of the Group's investment property were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in fair value were recognised in the income statement.

In addition, in prior years land (including leasehold land) which the Group held for an undetermined future purpose was accounted for under the valuation model in SSAP 17, Property, plant and equipment, whereby the land was carried at fair value, with any movements in the fair value of the land being normally taken to the land and buildings revaluation reserve, net of deferred tax thereon.

Upon adoption of HKAS 40 as from 1 April 2005, the Group has adopted a new policy for investment property. Under this new policy, all changes in the fair value of investment property are recognised directly in the income statement in accordance with the fair value model HKAS 40.

Further details of the new policy for investment property are set out in note 3(f).

Measurement of deferred tax on movements in fair value

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1 April 2005, in accordance with HKAS-Int 21, the Group recognises deferred tax on movements in the sale of investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model. Further details of the policy for deferred tax are set out in note 3(o).

The accounting policy has been adopted retrospectively. There is no material effect on the Group's net assets and results for prior and current years.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

Exposure to foreign exchange, interest rate, credit and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

5. **FINANCIAL RISK MANAGEMENT** *(Continued)*

a) **Foreign exchange risk**

The Group mainly operates in the mainland China with most of the transactions denominated and settled in Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars ("USD"), are required to settle the Group's sales of snap off blade cutters to overseas customers and the relative expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the mainland China government.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. RMB against USD was relatively stable during the years and as a result, the Group considers it has no material foreign exchange risk.

b) **Interest rate risk**

The Group's interest rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in note 29 to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

c) **Credit risk**

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, trade and bills receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policy that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sale of products are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

d) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

6. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Estimates and judgments 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 and assumptions 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.

a) **Going concern basis**

As mentioned in note 2 to the financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

b) Write-downs of inventories

Inventories are written down to net realizable value based on an assessment of the realisability of inventories. Written-downs on inventories are recorded where events or changes in circumstances indicate that the balance may not be realized. The identification of written-downs requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

7. 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.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group'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:

i) the snap off blade cutters segment manufactures and sells snap off blade cutters;

ii) the electronic consumer products segment manufactures and sells electronic consumer products; and

iii) the corporate and other segment comprises corporate and rental income and expense item.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

7. SEGMENT INFORMATION *(Continued)*

a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments.

The Group

	For the year ended 31 March 2006			
	Snap off blade cutters *HK$*	**Electronic customer products** *HK$*	**Corporate and others** *HK$*	**Consolidated** *HK$*
Segment revenue:				
Sales to external customers	43,687,513	52,534,530	2,900,323	99,122,366
Other revenue and gains	678,572	1,603,901	773,479	3,055,952
Total	44,366,085	54,138,431	3,673,802	102,178,318
Segment results	(4,755,984)	(15,782,478)	(6,786,316)	(27,324,778)
Interest income				16,603
Loss from operations				(27,308,175)
Finance costs				(2,387,099)
Loss before taxation				(29,695,274)
Taxation				(107,748)
Net loss from ordinary activities attributable to shareholders				(29,803,022)

7. SEGMENT INFORMATION *(Continued)*

a) Business segments *(Continued)*

The Group *(Continued)*

	For the year ended 31 March 2005			
	Snap off blade cutters *HK$*	**Electronic customer products** *HK$*	**Corporate and others** *HK$*	**Consolidated** *HK$*
Segment revenue:				
Sales to external customers	43,117,145	23,640,790	3,326,125	70,084,060
Other revenue and gains	183,075	1,129,375	1,235,707	2,548,157
Total	43,300,220	24,770,165	4,561,832	72,632,217
Segment results	(3,129,999)	(9,067,512)	(4,844,209)	(17,041,720)
Interest income				24,059
Loss from operations				(17,017,661)
Finance costs				(2,107,764)
Loss before taxation				(19,125,425)
Taxation				(511,344)
Net loss from ordinary activities attributable to shareholders				(19,636,769)

7. **SEGMENT INFORMATION** *(Continued)*

a) **Business segments** *(Continued)*

The Group *(Continued)*

	For the year ended 31 March 2006			
	Snap off blade cutters *HK$*	**Electronic customer products** *HK$*	**Corporate and others** *HK$*	**Consolidated** *HK$*
Segment assets	22,114,143	78,165,794	17,219	100,297,156
Unallocated assets				–
Total assets				100,297,156
Segment liabilities	10,298,544	12,639,954	18,018,982	40,957,480
Unallocated liabilities				45,009,896
Total liabilities				85,967,376
Other segment information:				
Depreciation	604,141	2,572,767	27,992	3,204,900
Impairment for bad and doubtful debts	–	–	–	–
Impairment for slow-moving and obsolete inventories	–	53,265	–	53,265
Fair value adjustments of investment properties recognised directly in the profit and loss account	–	205,212	–	205,212
Revaluation surplus of land and buildings recognised directly in the profit and loss account	250,083	–	–	250,083
Revaluation surplus of land and buildings recognised directly in equity	578,596	–	–	578,596
Capital expenditure	291,695	2,936,391	–	3,228,086

7. **SEGMENT INFORMATION** *(Continued)*

a) **Business segments** *(Continued)*

The Group *(Continued)*

	For the year ended 31 March 2005 (restated)			
	Snap off blade cutters	**Electronic customer products**	**Corporate and others**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	26,055,651	88,791,054	629,647	115,476,352
Unallocated assets				–
Total assets				115,476,352
Segment liabilities	8,468,191	11,177,355	7,754,882	27,400,428
Unallocated liabilities				56,425,001
Total liabilities				83,825,429
Other segment information:				
Depreciation	682,542	2,883,408	27,296	3,593,246
Impairment for bad and doubtful debts	340,986	–	–	340,986
Impairment for slow-moving and obsolete inventories	593,072	686,979	–	1,280,051
Fair value adjustments of investment properties recognised directly in the profit and loss account	–	(1,144,990)	–	(1,144,990)
Revaluation surplus of land and buildings recognised directly in the profit and loss account	125,200	–	–	125,200
Revaluation surplus of land and buildings recognised directly in equity	–	–	–	–
Capital expenditure	539,594	825,664	4,180	1,369,438

7. **SEGMENT INFORMATION** *(Continued)*

b) **Geographical segments**

The Group

	For the year ended 31 March 2006						
	Hong Kong	**Mainland China**	**Europe**	**North America**	**East Asia**	**Others**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue							
Sales to external customers	55,216,656	7,790,531	16,331,492	7,058,803	10,135,722	2,589,162	99,122,366

	Hong Kong	**Mainland China**	**Consolidated**
	HK$	*HK$*	*HK$*
Other segment information			
Segment assets	18,700,103	81,597,053	100,297,156
Capital expenditure	2,016,748	1,211,338	3,228,086

	For the year ended 31 March 2005						
	Hong Kong	**Mainland China**	**Europe**	**North America**	**East Asia**	**Others**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue							
Sales to external customers	25,312,246	7,821,107	13,593,866	14,357,419	3,606,375	5,393,047	70,084,060

	Hong Kong	**Mainland China**	**Consolidated**
	HK$	*HK$*	*HK$*
Other segment information			
Segment assets	24,099,050	91,377,302	115,476,352
Capital expenditure	173,178	1,196,260	1,369,438

8. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts after elimination of all significant intra-group transactions and gross rental income.

During the year, the Group had revenue and gains arising from the following activities:

	2006	**2005**
	HK$	*HK$*
Turnover		
Sales of snap off blade cutters	43,687,513	43,117,145
Sales of electronic consumer products	52,534,530	23,640,790
Gross rental income	2,900,323	3,326,125
	99,122,366	70,084,060
Other revenue		
Gain on disposal on investment property	–	1,093,960
Surplus on revaluation of buildings	250,083	125,200
Fair value adjustments of investment properties	205,212	–
Interest income	16,603	24,059
Rental income	38,106	–
Sundry income	1,791,726	1,328,997
Written back of provision for due from associates	770,825	–
	3,072,555	2,572,216
Total revenue	102,194,921	72,656,276

9. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2006	**2005**
	HK$	*HK$*
		(restated)
Auditors' remuneration	317,184	314,018
Cost of inventories#	103,367,006	64,855,361
Staff costs (including directors' remuneration)		
– Wages and salaries	21,330,217	21,285,241
– Pensions scheme contribution	329,865	334,877
	21,660,082	21,620,118
Depreciation		
– Owned assets	3,041,767	3,448,038
– Assets held under finance leases	163,133	145,208
Amortisation of land lease premium	114,359	112,861
Exchange loss, net	259,797	192,170
Minimum lease payments under operating leases for motor vehicles	474,000	474,000
Impairment for bad and doubtful debts	–	340,986
Impairment for slow-moving and obsolete inventories	53,265	1,280,051
Fair value adjustments of investment properties *(note 17)*	–	1,144,990

Cost of inventories includes HK$11,705,630 (2005: HK$12,360,700) relating to staff costs, depreciation and impairment for slow-moving and obsolete inventories, which amount is also included in the respective total disclosed separately above for each of these types of expenses

10. FINANCE COSTS

	2006	2005
	HK$	*HK$*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within 5 years	2,233,782	2,015,696
Interest expenses on bank loans wholly repayable after five years	82,086	81,742
Finance charges on obligations under finance leases	71,231	10,326
	2,387,099	2,107,764

11. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2006				
	Fees	**Salaries and other benefits**	**Compensation for loss of office**	**Retirement scheme contributions**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Chong Sing Yuen	–	5,082,948	–	12,000	5,094,948
Chong Chun Hing	–	333,462	–	12,000	345,462
Chu Kiu Fat	–	392,399	–	18,120	410,519
Wong Siu Keung, Joe	–	504,010	–	12,000	516,010
Chong Chun Kwok, Piggy	–	617,301	–	29,310	646,611
	–	6,930,120	–	83,430	7,013,550
Independent non-executive directors					
Chan Ping Yim	60,000	–	–	–	60,000
Chan Shun	11,507	–	–	–	11,507
Cheng Kwok Hing, Andy	30,000	–	–	–	30,000
Yeung Yuen Hei	37,258	–	–	–	37,258
	138,765	–	–	–	138,765
Total	138,765	6,930,120	–	83,430	7,152,315

11. DIRECTORS' REMUNERATION *(Continued)*

	2005				
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Chong Sing Yuen	–	5,257,350	–	12,000	5,269,350
Sun Tak Yan, Desmond	–	130,484	–	4,424	134,908
Chong Chun Hing	–	334,750	–	12,000	346,750
Chong Chun Man	–	318,779	–	15,994	334,773
Chu Kiu Fat	–	392,600	–	18,120	410,720
Wong Siu Keung, Joe	–	504,010	–	12,000	516,010
Chong Chun Kwok, Piggy	–	621,698	–	29,310	651,008
	–	7,559,671	–	103,848	7,663,519
Non-executive director					
Chu Bu Yang, Alexander	–	–	–	–	–
Independent non-executive directors					
Wong, Bingley	49,589	–	–	–	49,589
Ma Wah Yan	49,589	–	–	–	49,589
Chan Ping Yim	30,410	–	–	–	30,410
Chan Shun	15,205	–	–	–	15,205
Cheng Kwok Hing, Andy	15,205	–	–	–	15,205
	159,998	–	–	–	159,998
Total	159,998	7,559,671	–	103,848	7,823,517

12. INDIVIDUALS WITH HIGHEST PAID

Of the five individuals with the highest paid, two (2005: two) are directors whose remuneration are disclosed in note 11. The aggregate of the remuneration in respect of the other three (2005: three) individuals are as follows:

	2006	2005
	HK$	*HK$*
Salaries, allowances and benefits in kind	2,240,142	1,967,161
Retirement scheme contributions	47,880	34,406
	2,288,022	2,001,567

The remuneration of the three (2005: three) individuals with highest paid is within the following bands:

	Number of individuals	
	2006	2005
HK$Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	1	1
	3	3

13. TAXATION

The provision for Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	The Group	
	2006	**2005**
	HK$	*HK$*
Current tax		
Hong Kong	(12,317)	12,317
Mainland China	120,065	49,600
	107,748	61,917
Deferred tax *(note 31)*	–	449,427
Tax expense	107,748	511,344

Reconciliation between tax expense and accounting loss at applicable tax rate:

The Group

	Total	
	2006	**2005**
	HK$	*HK$*
Loss before taxation	(29,695,274)	(19,125,425)
Tax at the applicable tax rate to profits in the countries concerned	(4,939,527)	(3,021,315)
Income not subject to tax	(711,847)	(938,477)
Expenses not deductible for tax purpose	1,013,574	630
Tax losses not recognised as deferred tax assets	4,783,548	4,106,935
Tax loss utilised from previous period	–	(86,808)
Reversal of recognised deferred tax assets	–	446,126
Deferred tax not recognised	(38,000)	4,253
Actual tax expense	107,748	511,344

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes loss of approximately HK$13,957,661 (2005: HK$6,704,772) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK$29,803,022 (2005: HK$19,636,769) and the weighted average of 275,848,570 (2005: 4,846,403,321) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 March 2006 and 2005 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own used carried at revaluation *HK$*	Leasehold improvements *HK$*	Plant and machinery *HK$*	Furniture and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost or valuation						
At 1 April 2004						
– As previously reported	43,719,000	8,744,150	31,282,973	10,656,866	1,375,597	95,778,586
– Effect of the changes in accounting policies under HKAS 17	(18,679,990)	–	–	–	–	(18,679,990)
– As restated	25,039,010	8,744,150	31,282,973	10,656,866	1,375,597	77,098,596
Additions	–	–	1,323,769	45,669	–	1,369,438
Deficits on revaluation	(955,010)	–	–	–	–	(955,010)
At 31 March 2005 (as restated)	24,084,000	8,744,150	32,606,742	10,702,535	1,375,597	77,513,024
Analysis of cost or revaluation						
At cost	–	8,744,150	32,606,742	10,702,535	1,375,597	53,429,024
At valuation (as restated)	24,084,000	–	–	–	–	24,084,000
	24,084,000	8,744,150	32,606,742	10,702,535	1,375,597	77,513,024
At 1 April 2005 (as restated)	24,084,000	8,744,150	32,606,742	10,702,535	1,375,597	77,513,024
Additions	–	–	3,141,715	86,371	–	3,228,086
Surplus on revaluation	184,000	–	–	–	–	184,000
Exchange realignment	–	13,742	1,090,638	–	19,299	1,123,679
At 31 March 2006	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
Analysis of cost or revaluation						
At cost	–	8,757,892	36,839,095	10,788,906	1,394,896	57,780,789
At valuation	24,268,000	–	–	–	–	24,268,000
	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Buildings held for own used carried at revaluation *HK$*	Leasehold improvements *HK$*	Plant and machinery *HK$*	Furniture and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Accumulated depreciation						
At 1 April 2004						
– As previously reported	–	4,457,008	28,729,266	10,026,018	1,375,597	44,587,889
– Effect of the changes in accounting policies under HKAS 17	–	–	–	–	–	–
– As restated	–	4,457,008	28,729,266	10,026,018	1,375,597	44,587,889
Charge for the year	949,886	1,182,774	953,395	507,191	–	3,593,246
Written back on revaluation	(949,886)	–	–	–	–	(949,886)
At 31 March 2005 (as restated)	–	5,639,782	29,682,661	10,533,209	1,375,597	47,231,249
At 1 April 2005 (as restated)	–	5,639,782	29,682,661	10,533,209	1,375,597	47,231,249
Charge for the year	644,679	867,090	1,536,107	157,024	–	3,204,900
Written back on revaluation	(644,679)	–	–	–	–	(644,679)
Exchange realignment	–	13,742	1,051,855	–	19,299	1,084,896
At 31 March 2006	–	6,520,614	32,270,623	10,690,233	1,394,896	50,876,366
Net book value						
At 31 March 2006	24,268,000	2,237,278	4,568,472	98,673	–	31,172,423
At 31 March 2005 (as restated)	24,084,000	3,104,368	2,924,081	169,326	–	30,281,775

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group

a) The net book value of plant and machinery held under finance leases of the Group as at 31 March 2006 was HK$1,459,408 (2005: HK$427,466).

b) The Group's buildings held for own use as at 31 March 2006 were revalued by Castores Magi (Hong Kong) Limited, an independent professionally qualified valuers, at an aggregate open market value of HK$2,668,000 based on their existing use for properties in Hong Kong, and at HK$21,600,000 using the depreciated replacement cost method for properties in Mainland China, as appropriate.

c) The analysis of net book value of Group's properties is as follows:

		Hong Kong		Mainland China		Total	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
			(restated)		(restated)		(restated)
Long leases	(i)	2,668,000	2,584,000	–	–	2,668,000	2,584,000
Medium-term leases	(ii)	–	–	21,600,000	21,500,000	21,600,000	21,500,000
		2,668,000	2,584,000	21,600,000	21,500,000	24,268,000	24,084,000
Representing:							
Buildings carried at fair value		2,668,000	2,584,000	21,600,000	21,500,000	24,268,000	24,084,000

Notes:

i) These buildings held for own use were valued at open market value, based on their existing use.

ii) These buildings held for own use were specially designed properties which, due to their specialised nature, have an utility restricted to particular uses or users, and are rarely, if ever, sold on the open market, except as part of a sale of the business in occupation. They have therefore been valued on the basis of their depreciated replacement cost.

At 31 March 2006, certain of the Group's buildings held for own use with a net book value of HK$24,268,000 (2005: HK$24,084,000) were pledged to secure general banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Furniture and fixtures *HK$*
Cost	
At 1 April 2004	135,782
Additions	4,180
At 31 March 2005	139,962
Additions	–
At 31 March 2006	139,962
Accumulated depreciation	
At 1 April 2004	78,284
Charge for the year	27,296
At 31 March 2005	105,580
Charge for the year	27,992
At 31 March 2006	133,572
Net book value	
At 31 March 2006	6,390
At 31 March 2005	34,382

17. INVESTMENT PROPERTIES

The Group

	HK$
Valuation:	
At 1 April 2004	47,961,000
Disposals	(6,000,000)
Fair value adjustment *(note 9)*	(1,144,990)
At 31 March 2005	40,816,010
Fair value adjustment *(note 8)*	205,212
At 31 March 2006	41,021,222

The Group's investment properties are held in Mainland China under medium-term leases.

The Group's investment properties were revalued on 31 March 2006 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

At 31 March 2006, the Group's investment properties with a value of HK$41,021,222 (2005: HK$40,816,010) were pledged to secure general banking facilities granted to the Group (note 29).

18. INTERESTS ON LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	Hong Kong	Mainland China	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 April 2004 and 31 March 2005			
– As previously reported	–	–	–
– Effect of changes in accounting policies under HKAS 17	3,008,554	2,619,290	5,627,844
– As restated	3,008,554	2,619,290	5,627,844
At 1 April 2005 (as restated)	3,008,554	2,619,290	5,627,844
Exchange adjustments	–	(56,957)	(56,957)
At 31 March 2006	3,008,554	2,562,333	5,570,887
Amortisation			
At 1 April 2004			
– As previously reported	–	–	–
– Effect of changes in accounting policies under HKAS 17	379,441	612,288	991,729
– As restated	379,441	612,288	991,729
Charge for the year	61,399	51,462	112,861
At 31 March 2005 (as restated)	440,840	663,750	1,104,590
At 1 April 2005 (as restated)	440,840	663,750	1,104,590
Charge for the year	61,399	52,960	114,359
At 31 March 2006	502,239	716,710	1,218,949
Net book value			
At 31 March 2006	2,506,315	1,845,623	4,351,938
At 31 March 2005 (as restated)	2,567,714	1,955,540	4,523,254

The interests in leasehold land for own use under operating leases in Hong Kong and Mainland China and were amortized over the lease term period of 50 years on a straight-line basis.

At 31 March 2006, the interests on leasehold land held for own use under operating leases with net book value of HK$4,351,938 (2005: HK$4,523,254) was pledged to a bank to secure a banking facility granted to the Group.

19. INTERESTS IN SUBSIDIARIES

	The Company 2006 HK$	2005 HK$
Unlisted shares, at cost	35,741,016	35,741,016
Due from subsidiaries	64,215,944	67,846,342
Due to subsidiaries	(1,328,292)	(13,388,346)
	98,628,668	90,199,012
Less: Impairment losses	(35,741,016)	(35,757,296)
	62,887,652	54,441,716

The amounts are interest free, unsecured and have no fixed terms of repayment.

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held are ordinary unless otherwise stated.

All of those are controlled subsidiaries as defined under note 3(c) and have been consolidated into the group financial statements.

Name	Place of incorporation/ registered and operations	Nominal value of issued ordinary registered share capital	Percentage of equity attributable to the company Direct	Indirect	Principal activities
Goodfit Products Company Limited	Hong Kong	HK$1,000 ordinary shares HK$1,000,000 Non-voting deferred shares*	–	100	Sale of electronic consumer products
Northern Industrial (Panyu) Co., Ltd.#	Mainland China	HK$95,000,000 registered capital	–	100	Manufacture and sale of electronic consumer products and properties investment
Superior Trump Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Dormant
Tung Hing Plastic (Panyu) Co., Ltd.#	Mainland China	US$1,800,000 registered capital	–	100	Manufacture and sale of snap off blade cutters
Tung Hing Products Company Limited	Hong Kong	HK$100 ordinary shares	–	100	Sale of snap off blade cutters

* The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up. The Group has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

Registered under the laws of the Mainland China as a wholly foreign-owned enterprise.

20. INTERESTS IN ASSOCIATES

	The Group 2006 HK$	The Group 2005 HK$
Share of net assets	–	–
Due from associates	16,025,387	16,025,387
	16,025,387	16,025,387
Less: Impairment losses	(16,025,387)	(16,025,387)
	–	–

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

The following list contains only the particulars of associates, all of which are unlisted corporate entities and indirectly held by the Company, which principally affected the results or assets of the Group.

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Levington Associates Limited*	Corporate	British Virgin Islands	50	Investment holding
Northern Newland Engineering Limited*	Corporate	Hong Kong	40	Provision of engineering services
Genfield Enterprises Limited**	Corporate	Hong Kong	–	Investment holding and sale of printed circuit boards
Genfield PCB (Panyu) Company Limited**	Corporate	Mainland China	–	Manufacture of printed circuit boards

* Not audited by CCIF CPA Limited

** The associates were disposed to independent third party during this year. The disposal does not have material financial effect to the Group.

All the above investments in associates are indirectly held by the Group. As financial results of the associates are immaterial to the Group, accordingly, no disclosure is considered necessary.

21. INVENTORIES

	The Group	
	2006	**2005**
	HK$	*HK$*
Raw materials	7,522,083	12,867,535
Work-in-progress	3,272,799	3,167,594
Finished goods	1,278,796	4,434,475
	12,073,678	20,469,604

The amount of inventories (included above) carried at net realisable value is approximately HK$4,718,038 (2005: HK$8,824,283).

22. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 60 days to its trade customers. A longer credit period may be granted to trade customers with a long business relationship to the Group. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	The Group	
	2006	**2005**
	HK$	*HK$*
Within 60 days	5,363,171	6,783,415
61 to 90 days	1,067,678	727,044
Over 91 days	1,708,251	2,879,001
	8,139,100	10,389,460

23. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Total cash and bank balances	810,189	4,699,721	6,389	255,285
Less: Pledged deposits	(500,000)	(500,000)	–	–
	310,189	4,199,721	6,389	255,285

24. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Within 60 days	5,759,074	6,530,879
61 to 90 days	1,141,988	1,425,517
Over 91 days	5,721,158	3,127,004
	12,622,220	11,083,400

25. DUE TO ASSOCIATES

The amounts were unsecured, interest free and without fixed terms of repayment.

26. DUE TO DIRECTORS

The amounts are unsecured, interest free and repayable on demand.

27. DUE TO A RELATED PARTY

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Ms Cheng Man Shan ("Ms Cheng")	13,941,893	14,270,547	13,505,000	5,660,000

Ms Cheng is Mr Chong Sing Yuen's wife.

On 1 April 2004, Tung Hing Products Company Limited, a wholly-owned subsidiary of the Group, entered into a facility agreement with Ms Cheng pursuant to which Ms Cheng agreed to grant to the Group a standby facility (the "Facility") of HK$8,000,000 from 1 April 2004 to 31 July 2005. The purpose of the Facility was to enable the Group to have sufficient funds for its operations. The Facility was unsecured and interest-free. On 21 July 2005, the Company signed a new facility agreement with Ms Cheng to extend the Facility to 31 July 2006.

On 23 July 2004, the Company entered into a loan agreement with Ms Cheng pursuant to which Ms Cheng agreed to grant to the company a loan of HK$5,660,000 for repayment of a short term bank loan of the Group matured in August 2004. The loan is unsecured, interest-free and repayable at the earlier of 23 August 2005 or the date on which the Group is able to obtain a new one-year or longer term loan facility to repay the aforesaid mentioned short term bank loan. On 21 July 2005, the Company entered into a facility agreement with Ms Cheng pursuant to which the loan of HK$5,660,000 was renewed to a one-year standby facility to 20 July 2006.

In addition, Ms Cheng also made advance of HK$436,893 (2005: HK$610,547) to the Group as at 31 March 2006. The advance was unsecured, interest free and without fixed terms of repayment.

According to the debts assignment dated 2 June 2006, all the debt due to Ms Cheng was reassigned to Tung Hing Products Company Limited at consideration equal to the amount of debt.

28. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2006, the Group had obligations under finance leases repayable as follows:

	The Group					
	2006			2005		
	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Within 1 year	742,961	41,983	784,944	229,914	8,646	238,560
After 1 year but within 2 years	188,174	2,532	190,706	8,520	2,400	10,920
After 2 years but within 5 years	–	–	–	658	252	910
	188,174	2,532	190,706	9,178	2,652	11,830
	931,135	44,515	975,650	239,092	11,298	250,390

29. INTEREST-BEARING BORROWINGS

At 31 March 2006, the interest bearing borrowings were repayable as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Within 1 year or on demand	40,603,814	22,794,721
After 1 year but within 2 years	234,850	16,244,301
After 2 year but within 5 years	807,296	860,262
After 5 years	228,608	336,646
	1,270,754	17,441,209
Total	41,874,568	40,235,930

At 31 March 2006, the interest bearing borrowings were secured as follows:

	The Group	
	2006	**2005**
	HK$	*HK$*
Secured bank overdrafts	626,184	501,276
Secured bank loans	41,248,384	39,734,654
	41,874,568	40,235,930

The Group's bank loans are secured by:

i) investment properties of HK$41,021,222 (2005: HK$40,816,010);

ii) leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$26,394,050 (2005: HK$19,272,003 restated);

iii) trade receivables of HK$1,056,820 (2005: HK$941,940);

iv) pledged time deposits amounting to HK$500,000 (2005: HK$500,000); and

v) guarantees provided by directors of the Company.

30. TAXATION IN THE CONSOLIDATED BALANCE SHEET

Current taxation in the consolidated balance sheet represents:

	2006	2005
	HK$	*HK$*
Hong Kong profits tax	861,462	873,779
Mainland China enterprise income tax	904,822	785,591
	1,766,284	1,659,370

31. DEFERRED TAX ASSETS

a) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2004				
– As previously reported	115,059	169,485	(5,198,324)	(4,913,780)
– Effect of changes in accounting policies under HKAS 17	–	–	5,401,131	5,401,131
– As restated	115,059	169,485	202,807	487,351
Deferred tax charged to the income statement *(note 13)*	(162,918)	–	(286,509)	(449,427)
At 31 March 2005 (as restated)	(47,859)	169,485	(83,702)	37,924
At 1 April 2005 (as restated)	(47,859)	169,485	(83,702)	37,924
Deferred tax credited to equity	–	–	(32,200)	(32,200)
Deferred tax charged to the income statement *(note 13)*	–	–	–	–
At 31 March 2006	(47,859)	169,485	(115,902)	5,724

	2006	2005
	HK$	*HK$*
Net deferred tax assets recognised on the balance sheet	5,724	37,924
Net deferred tax liabilities recognised on the balance sheet	–	–
	5,724	37,924

31. DEFERRED TAX ASSETS *(Continued)*

b) Deferred tax assets not recognised

The Group has tax losses arising in Hong Kong of HK$112,728,215 (2005: HK$85,393,656) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2006, there is no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

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

32. SHARE CAPITAL

	2006		2005	
	No. of shares	Amount *HK$*	No. of shares	Amount *HK$*
Ordinary shares of HK$0.2 each				
Authorised				
Beginning of year	30,000,000,000	300,000,000	30,000,000,000	300,000,000
Reduced due to share consolidation *(note a)*	(28,500,000,000)	–	–	–
End of year	1,500,000,000	300,000,000	30,000,000,000	300,000,000
Issued and fully paid				
Beginning of year	4,869,957,705	48,699,577	4,803,807,705	48,038,077
Shares issued under share option scheme *(note c)*	–	–	66,150,000	661,500
Reduced due to share consolidation *(note a)*	(4,626,459,820)	–	–	–
Issue of new shares *(note b)*	48,000,000	9,600,000	–	–
End of year	291,497,885	58,299,577	4,869,957,705	48,699,577

Notes:

a) Pursuant to an ordinary resolution passed at the special general meeting on 4 May 2005, every twenty ordinary shares of HK$0.01 each in the issued and unissued share capital were consolidated into one ordinary share of HK$0.20 each.

In addition, the number of shares issuable under each outstanding options granted under the Company's share option scheme was reduced by 95% and the exercise price of HK$0.01 per share under the share option scheme was increased to HK$0.20 per share. (note 33)

Share consolidation took effect on 5 May 2005.

b) On 14 July 2005, the Company and an independent subscriber entered into a conditional agreement dated 14 July 2005 for the subscription of 48,000,000 new shares of HK$0.2 each at a price of HK$0.26 per share for a total of HK$12,480,000.

c) For the year ended 31 March 2005, the subscription rights attaching to 66,150,000 share options were exercised at the subscription price of HK$0.01 per share (note 33), resulting in the issue of 66,150,000 shares of HK$0.01 each for a total cash consideration before expenses of HK$661,500.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors (including independent non-executive directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities that provided research, development or other technological support to the Group and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 4 October 2002 and, unless otherwise cancelled or amended, will remain enforce for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted prior to the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

A proposal to consolidate 20 issued and un-issued shares of HK$0.01 each into 1 share of HK$0.20 each (the "New Shares(s)") was approved by the shareholders of the Company on 4 May 2005. Before the Consolidation, the Company had outstanding options granted under the share option scheme of the Company to subscribe for a total of 19,300,000 shares at the price of HK$0.01 per share. Immediately after the Consolidation, the number of shares issuable under each outstanding option granted was reduced by 95%, the exercise price per share was increased from HK$0.01 to HK$0.20. Accordingly, after the Consolidation became effective, the Company had outstanding options to subscribe for a total of 965,000 New Shares at the exercise price of HK$0.20 per New Share.

The following tables disclose details of the Scheme and the movements during the Relevant Period.

33. SHARE OPTION SCHEME *(Continued)*

For the year ended 31 March 2005

	Number of share options									
Name or category of participant	At 1 April 2004	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	At 31 March 2005	Date of grant of share options**	Exercise period of share options	Exercise price of share options*** *HK$*	Price of Company's shares at exercise date of options**** *HK$*
Directors										
Mr Chong Sing Yuen	3,350,000	–	(3,350,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.022
Mr Sun Tak Yan, Desmond	35,000,000	–	(35,000,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.015
Mr Wong Siu Keung, Joe	35,000,000	–	(18,000,000)	–	–	17,000,000	30-10-2002	30-10-2002 to 29-10-2012	0.01 0.01	0.028 0.028
Mr Chu Bu Yang, Alexander	4,500,000	–	(4,500,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012		
	77,850,000	–	(60,850,000)	–	–	17,000,000				
Employees										
Ms Cheng Man Shan*	1,150,000	–	(1,150,000)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01	0.014
Other employees	6,450,000	–	(4,150,000)	–	–	2,300,000	31-10-2002	31-10-2002 to 30-10-2012	0.01	0.024
	7,600,000	–	(5,300,000)	–	–	2,300,000				
Total share options	85,450,000	–	(66,150,000)	–	–	19,300,000				

For the year ended 31 March 2006

	Number of share options									
Name or category of participant	At 1 April 2005	Share Consolidation	Exercise during the year	Lapsed during the year	Cancelled during the year	At 31 March 2006	Date of grant of share options**	Exercise period of share options	Exercise price of share options*** *HK$*	Price of Company's shares at exercise date of options**** *HK$*
Directors										
Mr Wong Siu Keung, Joe	17,000,000	(16,150,000)	–	–	–	850,000	30-10-2002	30-10-2002 to 29-10-2012	0.2	–
	17,000,000	(16,150,000)	–	–	–	850,000				
Employees										
Other employees	2,300,000	(2,185,000)	–	(22,500)	–	92,500	31-10-2002	31-10-2002 to 30-10-2012	0.2	–
	2,300,000	(2,185,000)	–	(22,500)	–	92,500				
Total share options	19,300,000	(18,335,000)	–	(22,500)	–	942,500				

33. SHARE OPTION SCHEME *(Continued)*

* Spouse of Mr Chong Sing Yuen

** The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

**** The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

For the year ended 31 March 2005, 66,150,000 share options were exercised and resulted in the issue of 66,150,000 ordinary shares of the Company and new share capital of HK$661,500, as detailed in note 32 to the financial statements.

At 31 March 2006, the Company had 942,500 (2005: 965,000 restated) share options outstanding under the Scheme which represented approximately 0.3% (2005: 0.4%) of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 942,500 (2005: 965,000 restated) additional ordinary shares of the Company and additional share capital of HK$188,500 (2005: HK$965,000 restated).

34. RESERVES

a) Group

The amount of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

b) Company

	Share premium account *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*
At 1 April 2004	24,482,848	(19,493,437)	4,989,411
Expenses incurred in an open offer	(420,098)	–	(420,098)
Net loss for the year	–	(6,704,772)	(6,704,772)
At 31 March 2005	24,062,750	(26,198,209)	(2,135,459)
At 1 April 2005	24,062,750	(26,198,209)	(2,135,459)
Issue of new shares	2,880,000	–	2,880,000
Share issuance expense	(199,312)	–	(199,312)
Net loss for the year	–	(13,957,661)	(13,957,661)
At 31 March 2006	26,743,438	(40,155,870)	(13,412,432)

c) Nature and purposes of the reserves

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda (as amended).

The revaluation reserves have been set up are dealt with in accordance with the accounting policies adopted for buildings in notes 3(f).

The Group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefore.

34. RESERVES *(Continued)*

c) Nature and purposes of the reserves *(Continued)*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(r).

d) Distributability of reserves

At 31 March 2006, the Company did not have any reserve available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2005: Nil).

35. OPERATING LEASE COMMITMENTS

a) The Group as lessor:

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits. At the balance sheet date, the Group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2006	**2005**
	HK$	*HK$*
Within one year	3,130,610	2,971,753
In the second to fifth years, inclusive	4,184,454	6,931,241
Over five years	2,643,385	2,312,597
	9,958,449	12,215,591

b) The Group as lessee:

The Company leases a motor vehicle under an operating lease arrangement. The lease for the motor vehicle was negotiated for a term of one year. At the balance sheet date, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	The Group and the Company	
	2006	**2005**
	HK$	*HK$*
Within one year	197,500	197,500

36. CONTINGENT LIABILITIES

a) The Group

The Group had a contingent liability in respect of possible future long service payments to employee under the Hong Kong Employment Ordinance with a maximum possible amount of approximately HK$338,000 (2005: HK$275,000) as at 31 March 2006, as further explained under the heading "Employee benefits" in note 3(u) to the financial statements. At the balance sheet date, a number of current employees achieved the required number of years of service in the Group to be eligible for long service payments under the Employment Ordinance should their employment be terminated under certain circumstances. A provision has not been recognized in respect of such possible payments as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

b) The Company

At the balance sheet date, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounted to HK$57,469,794 (2005: HK$55,201,866).

37. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the group entered into the following related party transactions.

a) During the year, the Group had the following transactions with Twin Base Limited ("Twin Base"), a company in which Ms Cheng Man Shan, the spouse of Mr Chong Sing Yuen has a beneficial interest:

i) During the year, the Group made rental payment of approximately HK$474,000 (2005: HK$474,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement. Details of the operating lease commitments at the balance sheet date are set out in note 35(b) to the financial statements.

ii) As at 31 March 2006, Twin Base pledged certain of its property interests to a bank to secure credit facilities to the extent of HK$12,899,980 (2005: HK$12,899,980) granted to the Group.

b) During the year, the Group had the following material transactions with its associates:

		The Group	
		2006	2005
	Notes	*HK$*	*HK$*
Purchases of raw materials from an associate	(i)	194,955	673,993
Management fee received from an associate	(ii)	–	144,000

i) The purchases from an associate were made according to the prices mutually agreed between the associate and the Group.

ii) The management fee was charged based on mutually agreed terms between the associate and the Group.

The amounts due to associates as at 31 March 2006 were HK$Nil (2005: HK$1,655,405) which comprises trade payables and current account balances. The balances were unsecured, interest free and without fixed terms of repayment.

During the year ended 31 March 2005, the associates repaid the HK$3,000,000 to the Group.

c) During the year, Ms Cheng, the spouse of Mr Chong Sing Yuen, granted a credit facility of HK$13,660,000 (2005: HK$8,000,000) and a loan of HK$ Nil (2005: HK$5,660,000) to the Group, the details of which are set out in note 27 to the financial statements. In addition, Ms. Cheng advanced HK$436,893 (2005: HK$610,547) to the Group. The advances were unsecured, interest-free and with fixed terms of repayment.

d) During the year ended 31 May 2005, Mr Chong Chun Kwok, Piggy, a director of the Company and a son of Mr Chong Sing Yuen advanced HK$3,650,000 to the Group. The advances were unsecured, interest free and without fixed terms of repayment on demand. During the year ended 31 March 2006, the Group repaid HK$3,650,000 to Mr Chong Chun Kwok, Piggy.

e) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

38. LITIGATION

The Company instituted legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") in 1998 for breach of the placing and underwriting agreement dated 9 December 1997 by failing to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being economic loss suffered by the Company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of trial has not been fixed. The last action of the parties to the proceedings took place in mid-2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

39. NON-ADJUSTING POST BALANCE SHEET EVENTS

a) On 18 May 2006, the Company and an independent subscriber entered into a conditional agreement for the subscription of 58,000,000 new shares of HK$0.2 each at a price of HK$0.23 per share for a total of HK$13,340,000. The net proceeds from the subscription of approximately HK$13.24 million will be used as general working capital. The subscription is being granted of a listing of and permission to deal in the new shares by the Listing Committee of the Stock Exchange of Hong Kong Limited. Details of the subscription have been disclosed in the Company's announcement dated 19 May 2006.

b) Very substantial disposal transaction. Details of the transaction have been disclosed in the Company's announcement dated 17 July 2006.

c) In June 2006, the Group decided to terminate the consumer electronic business due to the continuously underperformance and is in the progress to assess its financial impact.

d) Debt reassignment. Details of the transaction were disclosed in note 27.

40. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the group with respect to the pension scheme is to make the required contributions under the scheme.

The amount of unvested benefits utilised by the Group to reduce contributions is HK$341,722 during the year. The amount of unvested benefits available for future reduction of employer's contribution as at 31 March 2006 is approximately HK$1,788,431 (2005: HK$1,546,326).

41. COMPARATIVE FIGURES

As further explained in note 3 to the financial statements, due to adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK (IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease[2]
HK (IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK (IFRIC) – INT 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK (IFRIC) – INT 8	Scope of HKFRS 2[5]
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives[6]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.
[5] Effective for annual periods beginning on or after 1st May, 2006.
[6] Effective for annual periods beginning on or after 1st June 2006.

2. INDEBTEDNESS

As at the close of business on 30 June 2006, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$50.92 million, comprising secured bank overdrafts of approximately HK$0.50 million; secured bank loans of approximately HK$36.22 million; unsecured other loans of approximately HK$13.51 million; and finance lease payables of approximately HK$0.69 million. The secured bank loans are guaranteed by the Company and/or its subsidiary. Certain of the borrowing were secured by certain of the Group's leasehold land and buildings and investment properties.

At the close of business on 30 June 2006, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$160,000; and the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK$57,469,784.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, or any guarantees, or other material contingent liabilities outstanding at the close of business on 30 June 2006.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing as at 30 June 2006.

The directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 June 2006.

3. WORKING CAPITAL

The Directors are of the opinion that, the completion of the disposal of the Property and taking into account the present available banking facilities, internal resources of the Group, has sufficient working capital for its present requirements (i.e. for at least the next twelve months from the date of this circular) in the absence of unforeseen circumstances.

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

The Directors
Northern International Holdings Limited

14 August 2006

Dear Sirs,

We report on the unaudited pro forma financial information of Northern International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the proposed disposal of the properties which is situated at 中國廣東省番禺區魚窩頭鎮沙灣大橋南岸東側的北方工業城 (Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the Mainland China) including the land, and the buildings and fixtures within the area (the "Disposal") might have affected the financial information presented, for inclusion as Appendix III to the circular of the Company dated 14 August 2006 (the "Circular"). The basis of preparation of the pro forma financial information is set out on pages 68 to 74 the Circular.

Responsibilities

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports On Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the 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 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group or the Remaining Group (as defined in the Circular) as at 31 March 2006 or any future date; or
- the earnings per share/results of the Group or the Remaining Group (as defined in the Circular) for the year ended 31 March 2006 or any future periods.

Opinion

In our opinion:

a) The unaudited pro forma financial information has been properly complied by the directors of the Company on the basis stated;

b) Such basis is consistent with the accounting policies of the Group; and

c) The adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Chan Wai Dune, Charles
Practising Certificate Number P00712

UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. Unaudited pro forma consolidated balance sheet of the Group

The following is the unaudited pro forma consolidated balance sheet of the Group assuming that the Property had been disposed of as at 31 March 2006. The unaudited pro forma consolidated balance sheet was prepared based on the audited consolidated balance sheet of the Group as at 31 March 2006 with adjustments to reflect the effect of the Disposal.

This unaudited pro forma consolidated balance sheet was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group at any dates.

	The Group as at 31 March 2006 (audited)	Pro forma adjustments for the Disposal			Pro forma consolidated balance sheet of the Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	
Non-current assets					
Property, plant and equipment	31,172	(21,720)	–	–	9,452
Investment property	41,021	(41,021)	–	–	–
Interests in leasehold land held for own use under operating leases	4,352	(1,846)	–	–	2,506
Interests in associates	–	–	–	–	–
Deferred tax assets	6	–	–	–	6
	76,551	(64,587)	–	–	11,964
Current assets					
Inventories	12,073	–	–	–	12,073
Trade and bills receivables	8,139	–	–	–	8,139
Other receivables, deposit and prepayments	2,723	–	(1,776)	–	947
Pledged deposits	500	–	–	–	500
Cash and bank equivalents	310	67,961	(558)	(28,073)	39,640
	23,745	67,961	(2,334)	(28,073)	61,299

A. Unaudited pro forma consolidated balance sheet of the Group (Continued)

	The Group as at 31 March 2006 (audited)	Pro forma adjustments for the Disposal			Pro forma consolidated balance sheet of the Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	
Current liabilities					
Trade payables	12,622	–	–	–	12,622
Other payables and accruals	11,696	–	(558)	–	11,138
Due to associates	–	–	–	–	–
Due to directors	3,136	–	–	–	3,136
Due to related parties	13,942	–	–	–	13,942
Obligations under finance leases	743	–	–	–	743
Interest-bearing borrowings	40,603	–	–	(28,073)	12,530
Tax payable	1,766	–	–	–	1,766
	84,508	–	(558)	(28,073)	55,877
Net current liabilities	(60,763)	67,961	(1,776)	–	5,422
Total assets less current liabilities	15,788	3,374	(1,776)	–	17,386
Non-current liabilities					
Obligations under finance leases	188	–	–	–	188
Interest-bearing borrowings	1,271	–	–	–	1,271
	1,459	–	–	–	1,459
NET ASSETS	14,329	3,374	(1,776)	–	15,927

A. Unaudited pro forma consolidated balance sheet of the Group (Continued)

	The Group as at 31 March 2006 (audited)	Pro forma adjustments for the Disposal			Pro forma consolidated balance sheet of the Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	
CAPITAL AND RESERVES					
Share capital	58,299	–	–	–	58,299
Reserves	(43,970)	3,374	(1,776)	–	(42,372)
Total equity attributable to equity shareholders of the company	14,329	3,374	(1,776)	–	15,927
TOTAL EQUITY	14,329	3,374	(1,776)	–	15,927

Notes:

1. The adjustments reflect the write off of book value of property on disposal and net cash received from the consideration for the Disposal as at 31 March 2006. The net cash received is the difference of RMB75,000,000 (equivalent to approximately HK$72,815,000) and the estimated commission expenses in relation to the disposal of approximately RMB5,000,000 (equivalent to approximately HK$4,854,000)

2. The adjustment reflects the refund of rental deposit to tenants of approximately HK$558,000 and write off of non-refundable management fee of approximately HK$1,776,000.

3. It is assumed that the consideration for the Disposal will be used to repay bank loans of the properties for an amount of RMB28,915,000 (equivalent to approximately HK$28,072,000) in full with the balance, of HK$39,888,000 as additional working capital.

4. For illustrative purposes, amounts expressed in RMB for the purpose of the unaudited pro forma balance sheet of the remaining group have been translated into HK$ at the rate of RMB1.03 = HK$1.

B. Unaudited pro forma consolidated profit and loss account of the Group

The following is unaudited pro forma consolidated profit and loss account of the Group assuming that the Property had been disposed of as at 1 April 2005. The unaudited pro forma consolidated profit and loss account was prepared based on the audited consolidated profit and loss account of the Group for the year ended 31 March 2006 with adjustments to reflect the effect of the Disposal.

This unaudited pro forma consolidated profit and loss account was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Group for any financial periods.

	The Group as at 31 March 2006 (audited)	Pro forma adjustments for the Disposal			Pro forma consolidated profit and loss account of the Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	
TURNOVER	99,122	–	(2,900)	–	96,222
Cost of sales	(103,367)	–	646	–	(102,721)
Gross loss	(4,245)	–	(2,254)	–	(6,499)
Other revenue	3,072	3,470	(205)	–	6,337
Distribution costs	(7,855)	–	–	–	(7,855)
Administrative expenses	(18,274)	–	(1,633)	(1,817)	(21,724)
Other operating expenses	(6)	–	–	–	(6)
Loss from operations	(27,308)	3,470	(4,092)	(1,817)	(29,747)
Finance costs	(2,387)	–	1,684	–	(703)
Loss before taxation	(29,695)	3,470	(2,408)	(1,817)	(30,450)
Taxation	(108)	–	–	–	(108)
Loss for the year	(29,803)	3,470	(2,408)	(1,817)	(30,558)
Attributed to:					
Equity shareholders of the Company	(29,803)	3,470	(2,408)	(1,817)	(30,558)
	(29,803)	3,470	(2,408)	(1,817)	(30, 558)

Notes:

1. The adjustments reflect the gain on the disposal of approximately HK$3,470,000 attributable to the remaining group which is calculated based on the differences between:

   (i) the consideration of RMB75,000,000 (equivalent to approximately HK$72,815,000) and deducting the estimated commission expenses in relation to the disposal of approximately RMB5,000,000 (equivalent to approximately HK$4,854,000); and

   (ii) the total net book values of land and building and investment properties of approximately HK$64,491,000 as at 1 April 2005.

2. The adjustments reflect the exclusion of rental income and expenses attributable to the Property (such as building management fee, sales tax, etc) and the interest expenses for the year ended 31 March 2006 as if the Disposal had been completed on 1 April 2005.

3. The adjustment reflects rent of RMB1,872,000 (equivalent to approximately HK$1,817,000) for lease back of part of properties at a rent not higher than the market rent of RMB12/m^2 of not less than 3 years.

4. For illustrative purposes, amounts expressed in RMB for the purpose of the unaudited pro forma profit and loss account of the remaining group have been translated into HK$ at the rate of RMB1.03 = HK$1.

COMMENTARY ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

The following commentary on the Group refers to the unaudited pro forma consolidated balance sheet of the Group as included in this Appendix, assuming that the Property had been disposed of as at 31 March 2006.

BUSINESS REVIEW AND PROSPECTS

Consumer electronics business

The turnover of the Group's electronics business was HK$52.5 million (2005: HK$23.6 million), a 122% increase over last year. Adversely affected by an overall increase in material prices and production costs, the electronics business enhances its negative contribution to HK$15.8 million (2005: HK$9.1 million).

Subsequent to the balance sheet date, considering continuously underperformance of consumer electronic business, the Group decided to terminate it. The consumer electronic business was terminated in June 2006. Cessation of the Group's electronic business would lower the turnover of the Group (the turnover of such discontinued operations amounted to approximately HK$52.5 million for the year ended 31 March 2006) but minimise the loss of the Group (The operating loss attributable to such discontinued operations amounted to approximately HK$15.8 million for the year ended 31 March 2006). Approximately 300 employees were dismissed with compensation duly paid as a result of the termination.

Snap off blade cutter business

The turnover of the Group's cutter business was HK$43.7 million (2005: HK$43.1 million), a 1.4% increase over last year. Adversely affected by an overall increase in material prices and production costs, the results of this business segment have a negative contribution of HK$4.8 million (2005: HK$3.1 million).

The Group will continue to develop new models and add into the existing product mix in order to improve the result of the business segment. The Group will not eliminate any potential opportunity for the disposal of its major business if appropriate buyer could be seek.

Geographical segment analysis

The Group's client base is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, assuming that the Property had been disposed, the Group's pro forma adjusted cash and bank balances amounted to about HK$39.6 million. The Group had pro forma adjusted interest-bearing borrowings and obligations under finance leases totaling HK$14.7 million, mostly secured by certain of the Group's properties and guarantees given by the Company. The pro forma adjusted shareholders' equity was HK$15.9 million and the ratio of non-current liabilities to shareholders' equity was 9.2%.

As stated in note 27 to the financial statements as set out in Appendix II to this circular, there were two loans due to Ms. Cheng Man Shan, the spouse of Mr. Cheng Sing Yuen, of HK$8,000,000 and HK$5,660,000 which would expire on 31 July 2006 and 20 July 2006 respectively. The loan has not been called and the Group has not repaid the loans yet.

The Group's cash and bank borrowings are mainly denominated in Hong Kong dollars and Renminbi, and hence it is not exposed to exchange risk.

Bank borrowings

Taking into accounts the disposal of the Property and the assumption that out of the net sales proceeds from the Disposal of HK$67.96 million, HK$28.07 million had been used to repay part of the Group's bank loans, the Group had pro forma adjusted interest-bearing borrowings and obligations under finance leases amounted to about HK$14.73 million.

Employees information

At 31 March 2006, the Group had approximately 650 employees. Most of the employees were working in Northern Industrial Complex, the Group's manufacturing plant in Panyu, Guangdong Province, Mainland China. Due to the termination of the consumer electronic business, the Group had reduced to approximately 350 employees as at the Latest Practicable Date. Employees are remunerated on a performance basis with reference to market practices.

Share option scheme and incentive schemes are adopted to encourage personal commitment of employees to achieve the Group's business goals.

Charges on Group assets

As at 31 March 2006, all of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group; and approximately 94% of the Group's land and building were pledged to banks to secure credit facilities granted to the Group.

As at 31 March 2006, assuming that the Property had been disposed and part of the bank loans had been repaid, only the Group's properties in Hong Kong were pledged to banks to secure credit facilities granted to the Group.

Set out below are the text of the letter, summary of values and valuation certificate received by the Company from Castores Magi (Hong Kong) Limited, an independent firm of registered professional surveyors, prepared for the purpose of incorporation into this circular, of their valuation of the Property as at 30th June 2006.

嘉漫(香港)有限公司
CASTORES MAGI (HONG KONG) LIMITED
REGISTERED PROFESSIONAL SURVEYORS
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES MAGI

Suites 402-3
Unicorn Trade Centre
131 Des Voeux Road Central
Hong Kong

14th August, 2006

The Directors
Northern International Holdings Limited
2nd Floor, Block A
Man Foong Industrial Building
7 Cheung Lee Street
Chai Wan
Hong Kong

Dear Sirs,

In accordance with your instruction to value the properties in which Northern International Holdings Limited (the "Company") and its subsidiaries (together the "Group") have interest in Panyu District, Guangzhou, Guangdong Province, the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 30th June, 2006 (the valuation date).

Our valuation of the land use rights for Property 1 in Group I is on the basis of Market Value which we would define as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion." Market value is understood as the value of an asset estimate without regard to costs of sale or purchase and without offset for any associated taxes.

Our valuation of the land use rights for Property 1 in Group I has been made on the assumption that the owner sells the property on the open market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property.

In accordance with International Valuation Guidance Note No. 8 published by The International Valuation Standards Committee, the buildings and structures of the property in Group I and Group II belong to the category of specialized properties, which are rarely if ever sold on the open market, except by way of sale of the business or entity of which they are a part, due to their uniqueness, which arises from the specialized nature and design of the buildings, their configuration, size, location or otherwise. Consequently, reliable sale comparables cannot generally be identified for specialized properties.

Our valuation of the buildings and structures in Group I and Group II are on the basis of Depreciated Replacement Cost which is used for the valuation of specialized properties. Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is a method used in financial reporting to arrive at a surrogate for the market value of specialized and limited market properties, for which market evidence is unavailable. Depreciated Replacement Cost is based on an estimate of the current gross replacement (reproduction) costs of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization.

In arriving at the capital value of the property in Group I, we have made the summation of the market value of the land use rights and the depreciated replacement cost of the buildings and structures as at the date of valuation. For the property in Group II, the capital value is the depreciated replacement cost of the buildings only and the land element is included in the property in Group I.

In valuing the property interests, we have adopted the basis of valuation and have made the valuation assumptions in accordance with the HKIS Valuation Standards on Properties (First Edition) published by the Hong Kong Institute of Surveyors.

In valuing the property in the PRC, we have complied with all the requirements contained in Chapter 5 and the Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The current status of the property interests regarding major approvals, consents or licences required in the PRC is set out as follows:

Document/Approval	**Group I – Property 1**	**Group II – Property 1**
State-owned Land Use Rights Certificate	Yes	Not Applicable
Realty Title Certificate	Yes	Yes

Note: The buildings of Property 1 in Group II are erected on the land of Property 1 in Group I. Therefore, Property 1 in Group II is subject to the State-owned Land Use Rights Certificate of Property 1 in Group I.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as identification of properties, planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar property in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

We have inspected the properties, in respect of which we have been provided with such information as we have required for the purpose of our valuations. However, no site surveys, investigations or examinations have been made, but in the course of our inspections we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

We have been shown copies of various documents relating to the property. However, we have not searched the original documents to verify any amendments which may not appear on the copies handed to us. Due to defects of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the property in Group I and Group II or any material encumbrances that might be attached to the properties. We are not in a position to advise on the title of the properties. In our valuation, we have assumed that the Group has free and uninterrupted right to use the properties for the whole of the unexpired land use term and could transfer the properties without payment of additional premium.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Group. We have also sought and received confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars. The adopted exchange rate for the valuation of the property in Group I and Group II is the prevailing rate as at the date of valuation, being HK$1 to RMB1.03 and no significant fluctuation in such exchange rate has been found between that day and the date of this letter.

The conclusion of values is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Group or the value reported.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
Castores Magi (Hong Kong) Limited
Ernest Cheung Wah Fu
Member of China Institute of Real Estate Appraisers
China Registered Real Estate Appraiser
B.Sc. MRICS MHKIS RPS MCIArb
Director

Note: Ernest Cheung Wah Fu is a Registered Professional Surveyor who has over 13 years of experience in valuing properties in Hong Kong and the PRC. His name is included in the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Property	Capital value in existing state as at 30th June, 2006 *HK$*
Group I – Property held by the Group in the PRC	
1. Various buildings (excluding the investment portions) and structures erected on a parcel of land located at Dawu Village, Yuwotou Zhen, Panyu District, Guangzhou, Guangdong Province, The PRC.	53,500,000
Sub-Total:	53,500,000
Group II – Property held by the Group for investment in the PRC	
1. Various buildings (excluding land) erected on a parcel of land located at Dawu Village, Yuwotou Zhen, Panyu District, Guangzhou, Guangdong Province, The PRC.	23,510,000
Sub-Total:	23,510,000
Grand Total:	77,010,000

VALUATION CERTIFICATE

Group I – Property held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th June, 2006 *HK$*
1. Various buildings (excluding the investment portions) and structures erected on a parcel of land located at Dawu Village, Yuwotou Zhen, Panyu District, Guangzhou, Guangdong Province, The PRC.	The property comprises 21 buildings and structures erected on a parcel of land having a site area of approximately 65,484 sq. m. These buildings and structures were completed in 1992 and 1993. The buildings were 1 to 7-storeys in height and their gross floor area are as follows:	The property is currently occupied by the Group for workshop, warehouse, office, dormitory and ancillary facilities purposes. Portions of the property having a total gross floor area of 37,352.5 sq. m. are currently leased to third parties (for details, please refer to Property 1 in Group II).	53,500,000

Buildings	Gross Floor Area (sq. m.)
Workshop No. 1	8,169.0
Workshop No. 2	8,010.4
Warehouse No. 1	4,450.0
Office	1,708.0
Generator Room No. 1	114.0
Generator Room No. 2	75.0
Additional Generator Room	187.3
Dangerous Goods Warehouse	12.0
Water Pump Room	55.0
Electrical Switch Room	66.0
Guard House (2 nos.)	12.5
Clinic	106.0
Shop	1,178.0
Dormitory 1	7,106.6
Dormitory (HK Staff)	574.6
Canteen	318.0
Ancillary Storage	12.0
Total	**32,154.4**

Structures	Gross Floor Area (sq. m.)
Water Pool	–
Boundary Wall	–
Car Port	–

The property is subject to a land use rights for a term of 50 years commencing from 27th December, 1993 to 26th December, 2043.

Notes:

1. According to a State-owned Land Use Rights Certificate（番府國用字(93)第18-0000318號） dated 24th June, 1999 issued by the People's Government of Panyu City, the land use rights of the parcel of land is vested in「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited), a wholly-owned subsidiary of the Company, for a term of 50 years commencing from 27th December, 1993 to 26th December, 2043 for industrial purpose.

2. The property is subject to 6 Realty Title Certificates – Yue Fang Di Zheng Zi Nos. 1142186, 1142447, 1142494, 1142496, 1142499 and 1142500 all dated 27th July, 1999 which were issued by the People's Government of Panyu City and the realty title is vested in「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited).

3. According to the information provided to us by the Group, the property is subject to the following encumbrances:–

   i. A pledge (合同編號：2005年番禺抵字第0198號) in favour of「中國工商銀行廣州市番禺支行」dated 12th December, 2005 in which「同興制品(番禺)有限公司」(Tung Hing Plastic (Panyu) Company Limited) is liable.

   ii. A pledge (合同編號：2005年第002388號) in favour of「中國廣州市番城農村信用合作社」dated 29th December, 2005 in which「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited) is liable.

   iii. A pledge (合同編號：06TL030045) in favour of「東亞銀行有限公司深圳分行」dated 31st January, 2005 in which「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited) is liable.

   iv. A pledge (合同編號：東亞06TL020054抵) in favour of「東亞銀行有限公司深圳分行」dated 31st January, 2005 in which「同興制品(番禺)有限公司」(Tung Hing Plastic (Panyu) Company Limited) is liable.

   v. A pledge (合同編號：東亞06TL030007抵) in favour of「東亞銀行有限公司深圳分行」dated 31st January, 2005 in which「同興制品(番禺)有限公司」(Tung Hing Plastic (Panyu) Company Limited) is liable.

4. A breakdown of our opinion of value is as follows:

Land	HK$32,100,000
Buildings and structures	HK$21,400,000*
Total	HK$53,500,000

   * *Investment portion excluded (for details, please refer to Property 1 in Group II)*

5. According to the legal opinion provided by the Company's PRC legal advisers, the followings, inter alia, were noted:

   i. the building ownership of the following Realty Title Certificates were held by「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited):

   粵房地証字第 1142186, 1142447, 1142494, 1142496, 1142499 and 1142500號
   (Yue Fang Di Zheng Zi Nos. 1142186, 1142447, 1142494, 1142496, 1142499 and 1142500)

   ii. the land use rights of the following State-owned Land Use Rights Certificate was held by「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited):

   番府國用(93)字第18-0000318號 (Pan Fu Guo Yong (93) Zi No. 18-0000318)

   iii. the property is subject to the following pledges:

Realty Title Certificate (Yue Fang Di Zheng Zi No.)	*In favour of*
1142186	東亞銀行有限公司深圳分行
1142447	廣州市番城農村信用合作社
1142494	東亞銀行有限公司深圳分行
1142496	東亞銀行有限公司深圳分行
1142499	東亞銀行有限公司深圳分行
1142500	廣州市番城農村信用合作社

State-owned Land Use Rights Certificate	*In favour of*
Pan Fu Guo Yong (93) Zi No. 18-0000318	東亞銀行有限公司深圳分行 中國工商銀行廣州市番禺支行 廣州市番城農村信用合作社

   iv. Up to 7th August, 2006, the property of「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited) is not subject to any legal disputes.

   v. 「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited) can lease the property, and can transfer the property upon discharge of pledges.

VALUATION CERTIFICATE

Group II – Property held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th June, 2006 *HK$*
1. Various buildings (excluding land) erected on a parcel of land located in Dawu Village, Yuwotou Zhen, Panyu District, Guangzhou, Guangdong Province, The PRC.	The property comprises 2 workshop buildings, 1 warehouse building and 2 dormitory buildings (erected on a parcel of land having a site area of approximately 65,484 sq. m.). The buildings were completed in 1992 and 1993. The buildings were 5 to 7-storeys in height and their gross floor area are as follows:	Please refer to *note 4*.	23,510,000

Buildings	**Gross Floor Area (sq. m.)**
Workshop No. 3	11,178.5
Workshop No. 4	11,178.9
Warehouse No. 2	5,953.9
Dormitory 2	7,179.6
Dormitory (PRC Staff)	1,861.6
Total	**37,352.5**

The property is subject to a land use rights for a term of 50 years commencing from 27th December, 1993 to 26th December, 2043.

Notes:

1. The property is subject to a State-owned Land Use Rights Certificate (番府國用字(93)第18-0000318號) dated 24th June, 1999 issued by the People's Government of Panyu City. According to the certificate, the land use rights of the parcel of land is vested in「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited), a wholly-owned subsidiary of the Company, for a term of 50 years commencing from 27th December, 1993 to 26th December, 2043 for industrial purpose.

2. The property is subject to 5 Realty Title Certificates – Yue Fang Di Zheng Zi Nos. 1142449, 1142450, 1142495, 1142497 and 1142498 all dated 27th July, 1999 which were issued by the People's Government of Panyu City and the realty title is vested in「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited).

3. The property (being portion of Property 1 in Group I) is subject to various pledges. For details, please refer to note 3 of Property 1 in Group I.

4. Portion of the property (including 14,836 sq. m. (usable area) of workshop area and 6,438.6 sq. m. (usable area) of staff dormitory area) is currently rented to an independent third party for a term expiring on 31st May, 2007 at a total monthly rent of RMB90,666.4. In addition, the tenant has to pay an apportioned sewage fee, refuse fee and land management fee at a rate of RMB43,949.2 per month.

   A portion of the workshop area on Ground Floor (700 sq. m.) is currently rented to another independent third party for a term commencing from 1st April, 2005 to 31st May, 2007 at a monthly rent of RMB5,000.

   Another portion of the property having a total gross floor area of 13,040.5 sq. m. is currently leased to an independent third party for a term commencing from 1st September, 2004 to 31st May, 2012 at a monthly rent of RMB55,161.3. In addition, the tenant has to pay an apportioned sewage fee, refuse fee and land management fee at a rate of RMB39,121.5 per month.

5. The capital value of the property (excluding land) was HK$23,510,000. The property was erected on the land of Property 1 in Group I. Since the property was leased to various parties for investment purpose, it was separated from Property 1 in Group I.

6. According to the legal opinion provided by the Company's PRC legal advisers, the followings, inter alia, were noted:

   i. the building ownership of the following Realty Title Certificates were held by「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited):
   粵房地証字第 1142449, 1142450, 1142495, 1142497, 1142498號
   (Yue Fang Di Zheng Zi Nos. 1142449, 1142450, 1142495, 1142497, 1142498)

   ii. the land use rights of the following State-owned Land Use Rights Certificate was held by「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited):
   番府國用(93)字第18-0000318號 (Pan Fu Guo Yong (93) Zi No. 18-0000318)

   iii. the property is subject to the following pledges:

Realty Title Certificate (Yue Fang Di Zheng Zi No.)	*In favour of*
1142449	東亞銀行有限公司深圳分行
1142450	中國工商銀行廣州市番禺支行
1142495	東亞銀行有限公司深圳分行
1142497	中國工商銀行廣州市番禺支行
1142498	東亞銀行有限公司深圳分行

State-owned Land Use Rights Certificate	*In favour of*
Pan Fu Guo Yong (93) Zi No. 18-0000318	東亞銀行有限公司深圳分行 中國工商銀行廣州市番禺支行 廣州市番城農村信用合作社

   iv. Up to 7th August, 2006, the property of「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited) is not subject to any legal disputes.

   v. 「北方實業(番禺)有限公司」(Northern Industrial (Panyu) Company Limited) can lease the property, and can transfer the property upon discharge of pledges.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) Director'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 in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or any of its associated corporations and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position in the Company's ordinary shares

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Chong Sing Yuen *(Note)*	1,294,052	117,500	–	1,411,552	0.48%

Note: The family interest of Mr Chong Sing Yuen in the shares of the Company was beneficially owned by his spouse, Ms Chong Cheng Man Shan.

The interests of the directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or any of its associated corporations) and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares 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 or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meting of any member of the Group:

	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Win Channel Investments Limited *(Note 1)*	Directly beneficially owned	65,000,000	18.60%
Chim Pui Chung *(Note 1)*	Through a controlled corporation	65,000,000	18.60%
Pan Chien Pu	Directly beneficially owned	58,000,000	16.60%
Easy Huge Holdings Limited *(Note 2)*	Directly beneficially owned	48,000,000	13.73%
Ng Kin Wah *(Note 2)*	Through a controlled corporation	48,000,000	13.73%

Note 1: The interest was held by Win Channel Investments Limited, a company wholly owned by Mr Chim Pui Chung.

Note 2: The interest was held by Easy Huge Holdings Limited, a company wholly owned by Mr Ng Kin Wah.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares 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, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

(c) Share Options

Details of the outstanding share options granted under the share option scheme of the Company as at the Latest Practicable Date are as follows:

Name or category of participant	Number of share options	Date of grant	Exercise period	Exercise Price per Share *HK$* *(Note)*
Directors				
Mr. Wong Siu Keung, Joe	850,000	30-10-2002	30-10-2002 to 29-10-2012	0.2
	850,000			
Employees				
Other employees	92,500	31-10-2002	31-10-2002 to 30-10-2012	0.2
	92,500			
Total	942,500			

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

MATERIAL CONTRACTS

Within the two years immediately preceding the issue of this circular, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group and are or may be material:

(1) provisional agreement dated 13 October 2004 between Superior Trump Limited, a wholly owned subsidiary of the Company, as vendor (the "Vendor") and Mr. To Sai Tak and Ms. Cheung Yeuk Kam as purchasers (the "Purchasers") in respect of the sale of Units 9, 10, 11, 12 & 14 on 11/F, and the private car parks P34 & P35 on 2nd Floor, Fo Tan Industrial Centre, Nos. 26-28 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong (the "Property") by the Vendor to the Purchasers at the consideration of HK$7,150,000;

(2) formal sale and purchase agreement dated 26 October 2004 between the Vendor and Merit Hill International Investment Limited ("Merit Hill"), a nomine of the Purchasers, in respect of the sale and purchase of the Property at the consideration of HK$7,150,000;

(3) assignment dated 15 December 2004 between the Vendor and Merit Hill in respect of the assignment of the interest in the Property by the Vendor to Merit Hill at the consideration of HK$7,150,000;

(4) underwriting agreement dated 20 January 2005 between the Company and Kingston Securities Limited in relation to the issue of new shares of HK$0.01 each of the Company by way of open offer on the basis of one offer share for every share held; and

(5) Letter of Agreement.

LITIGATION

The Company instituted legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") in 1998 for breach of the placing and underwriting agreement dated 9 December 1997 by falling to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being economic loss suffered by the Company together with Interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of trial has not been fixed. The last action of the parties to the proceedings took place in mid-2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against either the Company or any of its subsidiaries.

SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN ASSETS, CONTRACT OR ARRANGEMENT

Ms. Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, being a beneficial and controlling shareholder of Twin Base Limited, was interested in a contract for the lease of a motor vehicle to the Group during the year. Further details of the transaction undertaken in connection therewith are included in note 37 to the financial statements as set out in Appendix II to this circular.

Save for disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group; and was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group.

OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates have interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERTS AND CONSENTS

(a) The following are the qualifications of the experts who have given opinions and advice which are included in this circular:

Name	Qualification
CCIF CPA Limited ("CCIF")	Certified Public Accountants
Castores Magi (Hong Kong) Limited ("CM")	Registered Professional Surveyors

(b) Neither CCIF nor CM has any shareholding, directly or indirectly, 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.

(c) Each of CCIF and CM has given and have not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context in which they are included.

(d) Neither CCIF nor CM has any direct or indirect interest in any assets which have been, since 31 March 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

(a) The company secretary and qualified accountant of the Company is Wong Siu Keung, Joe who is an associate member of Hong Kong Institute of Certified Public Accountants.

(b) The Company's share registrar is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;

(c) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Hong Kong principal office of the Company at Block A, 2nd Floor, Man Foong Industrial Building, 7 Cheung Lee Street, Chaiwan, Hong Kong, up to and including the date of the SGM, being Wednesday, 30 August 2006:

(a) the memorandum of association and the bye-laws of the Company;

(b) the audited consolidated financial statements of the Company and its subsidiaries for the two years ended 31 March 2006;

(c) the letter, valuation certificate and valuation report prepared by Castores Magi (Hong Kong) Limited;

(d) the letters of consents referred to under the section headed "Experts and Consents" in this appendix;

(e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(f) the report from CCIF CPA Limited on the pro forma financial information on the Remaining Group as set out in Appendix III to this circular.

北方興業控股有限公司 *

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

NOTICE IS HEREBY GIVEN that a special general meeting of Northern International Holdings Limited (the "Company") will be held at Falcon Room 1, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 30 August 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

1. the sale of the property (the "Disposal"), particulars of which are set out in letter of agreement dated 8 July 2006 (the "Agreement") by Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company, to 廣州市海珠區鳳陽街五鳳經濟聯合社 (Wufeng Economic Association, Feng Yang Street, Haizhu District, Guangzhou)#, in relation to such Disposal be and is hereby approved and confirmed;

2. the contents of the Agreement (a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed; and

3. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement and/or the Disposal as he/they may consider necessary, desirable or expedient."

By order of the Board
Northern International Holdings Limited
Wong Siu Keung, Joe
Company Secretary

\# *denotes English translation of a Chinese company or entity or address and is provided for identification purposes only.*

Hong Kong, 14 August 2006

* *For identification purpose only*

As at the date of this circular, the Board comprises four executive Directors, Messrs. Chong Sing Yuen, Au Tat On, Lu Xiao Dong and Wong Siu Keung, Joe and three independent non-executive Directors, Messrs. Cheng Kwok Hing, Andy, Yeung King Wah and Yeung Yuen Hei.

Principal place of business in Hong Kong:
Block A, 2nd Floor
Man Foong Industrial Building
7 Cheung Lee Street
Chaiwan
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. A shareholder entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.

3. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of the power of attorney or authority, must be completed, signed and deposited with the Company's share registrars, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or at any adjourned meeting therefore (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.