北方興業控股有限公司*

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

2005/2006 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of Northern International Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the audited comparative figures for the previous year as follows:

	Notes	**2006** *HK$*	2005 *HK$* (restated)
Turnover		**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	5	**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		**(27,308,175)**	(17,017,661)
Finance costs		**(2,387,099)**	(2,107,764)
Loss before taxation		**(29,695,274)**	(19,125,425)
Taxation	6	**(107,748)**	(511,344)
Loss for the year		**(29,803,022)**	(19,636,769)
Attributed to:			
Equity shareholders of the Company		**(29,803,022)**	(19,636,769)
Loss for the year		**(29,803,022)**	(19,636,769)
LOSS PER SHARE	7		
– Basic		**HK10.80 cents**	HK0.41 cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET
31 MARCH 2006

	2006 *HK$*	2005 *HK$* (restated)
Non-current assets		
Property, plant and equipment	**31,172,423**	30,281,775
Investment properties	**41,021,222**	40,816,010
Interests in leasehold land held for own use under operating leases	**4,351,938**	4,523,254
Interests in associates	**–**	–
Deferred tax assets	**5,724**	37,924
	76,551,307	75,658,963
Current assets		
Inventories	**12,073,678**	20,469,604
Trade and bills receivables	**8,139,100**	10,389,460
Other receivables, deposits and prepayments	**2,722,882**	4,258,604
Pledged deposits	**500,000**	500,000
Cash and cash equivalents	**310,189**	4,199,721
	23,745,849	39,817,389
Current liabilities		
Trade payables	**12,622,220**	11,083,400
Other payables and accruals	**11,695,737**	10,475,356
Due to associates	**–**	1,655,405
Due to directors	**3,135,539**	4,206,329
Due to a related party	**13,941,893**	14,270,547
Obligations under finance leases	**742,961**	229,914
Interest-bearing borrowings	**40,603,814**	22,794,721
Tax payable	**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
Non-current liabilities		
Interest-bearing borrowings	**1,270,754**	17,441,209
Obligations under finance leases	**188,174**	9,178
	1,458,928	17,450,387
NET ASSETS	**14,329,780**	31,650,923
CAPITAL AND RESERVES		
Share capital	**58,299,577**	48,699,577
Reserves	**(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

Notes:

1. **BASIS OF PREPARATION**

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.

b) On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose of all of its interest in the property in panyu in PRC, at a consideration of RMB75 million, resulting a gain of RMB4 million attributable to the Group. The proposed disposal is subject to the approval by shareholders at the special general meeting.

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.

2. PRINCIPAL ACCOUNTING POLICIES

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 were presented on note 3.

3. 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 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.

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.

a) **Restatement of prior periods and opening balances**
Consolidated balance sheet for the year ended 31 March 2005

	2005 (as previously reported) *HK$*	Effect of new policies HKAS 17 (decrease in net assets for the year) *HK$*	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	10,097,998	–	10,097,998
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	23,172,079	–	23,172,079
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

	2005 (as previously reported) HK$	Effect of new policies 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)
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.

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.

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)**

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 and HKAS 36, 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.

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 notes 3(a)

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

Measurement of deferred tax on movements in fair value

In prior years the Group was required to apply the tax rate the 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.

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.

f) **Possible impact of amendments, new Standard 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.

4. SEGMENT INFORMATION

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

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:

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

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

c) 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.

a) **Business segments**

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

The Group

	Snap off blade cutters		**Electronic customer products**		**Corporate and others**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:								
Sales to external customers	**43,687,513**	43,117,145	**52,534,530**	23,640,790	**2,900,323**	3,326,125	**99,122,366**	70,084,060
Other revenue and gains	**678,572**	183,075	**1,603,901**	1,129,375	**773,479**	1,235,707	**3,055,952**	2,548,157
Total	**44,366,085**	43,300,220	**54,138,431**	24,770,165	**3,673,802**	4,561,832	**102,178,318**	72,632,217
Segment results	**(4,755,984)**	(3,129,999)	**(15,782,478)**	(9,067,512)	**(6,786,316)**	(4,844,209)	**(27,324,778)**	(17,041,720)
Interest income							**16,603**	24,059
Loss from operations							**(27,308,175)**	(17,017,661)
Finance costs							**(2,387,099)**	(2,107,764)
Loss before tax							**(29,695,274)**	(19,125,425)
Tax							**(107,748)**	(511,344)
Net loss from ordinary activities attributable to shareholders							**(29,803,022)**	(19,636,769)

b) **Geographical segments**

The Group

	Hong Kong		**Mainland China**		**Europe**		**North America**		**East Asia**		**Others**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue														
Sales to external customers	**55,216,656**	25,312,246	**7,790,531**	7,821,107	**16,331,492**	13,593,866	**7,058,803**	14,357,419	**10,135,722**	3,606,375	**2,589,162**	5,393,047	**99,122,366**	70,084,060

5. OTHER REVENUE

	2006	2005
	HK$	*HK$*
Gain on disposal on investment property	**–**	1,093,960
Fair value adjustments of on investment properties	**205,212**	–
Surplus on revaluation of buildings	**250,083**	125,200
Interest income	**16,603**	24,059
Sundry income	**1,791,726**	1,328,997
Written back of provision for due from associates	**770,825**	–
Rental income	**38,106**	–
	3,072,555	2,572,216

6. 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	**-**	449,427
Tax expense	**107,748**	511,344

7. LOSS PER SHARE

The calculation of 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.

COMPARATIVE FIGURES

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.

AUDITORS' REPORT

In their report, the auditors draw attention to the following:

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.

DIVIDEND

The Directors does not recommend the payment of any final dividend to the shareholders for the year ended 31 March 2006 (2005: Nil).

REVIEW OF RESULTS

The Group's turnover was HK$99.1 million (2005: HK$70.1 million), representing an increase of 41.2% over the same period of last year. Gross margin fell to gross loss of 4% (2005: gross profit of 8%) due to increase in material prices and production cost. Net loss of the Group was HK$29.8 million (2005: HK$19.6 million) and loss per share was HK10.8 cents (2005: HK0.41 cents as restated).

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.

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 turned to 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, the current and non-current liabilities of the Group amounted to HK$84.5 million (2005: HK$66.4 million as restated) and HK$1.5 million (2005: HK$17.5 million as restated), respectively. The amount of net current liabilities emhances further to HK$60.8 million (2005: HK$26.6 million as restated) mainly due to the increase in the loss incurred during the year and interest-bearing borrowings within one year.

During the year, the Group recorded an operating cash outflow of HK$12.6 million (2005: 10.8 million outflow) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, increase to 299% (2005: 127% as restated).

The Group's financial position will be enhanced after (i) the Group entered into placement agreement with independent third party, which will raise net proceeds of HK$13.3 million subsequent to the balance sheet date; and (ii) subject to the shareholders' approval, the Group proposed to dispose an investment property and certain land and buildings in Panyu at consideration of RMB75 million, as stated in the announcement dated 17 July 2006.

From the management's point of view, the amount of financial resources available to the Group is adequate. The Group may consider further disposing of its assets if additional financial resources are required for operation.

INVESTMENT POSITION AND PLANNING

All of the Group's investment properties are situated in Northern Industrial Complex, Panyu, Guangdong Province of the PRC. These investment properties have been rented out for manufacturing, storage and office purposes and have continued to generate a stable stream of income for the Group.

On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose of all of its interest in the property in Panyu in PRC, at a consideration of RMB75 million, resulting a gain of approximately RMB4 million attributable to the Group. The proposed disposal is subject to the approval by shareholders at the special general meeting.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

SHARE CAPITAL AND OPTION

During the year, the share capital and the option of the Company have the following changes:

Consolidation of shares and adjustment to options

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 Share(s)") (the "Consolidation") was approved by the shareholders of the Company on 4 May 2005. The Consolidation and change in board lot size for trading in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 50,000 shares to 5,000 New Shares became effective on 5 May 2005. Immediately after the Consolidation, the Company had 243,497,885.25 issued New Shares and 1,256,502,114.75 un-issued New Shares.

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%, and 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.

Subscription of new shares

On 14 July 2005, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of 48 million New Shares at a price of HK$0.26 per New Share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 27 August 2004.

All conditions of the subscription agreement were fulfilled and the 48 million New Shares were issued on 29 July 2005.

POST BALANCE SHEET EVENT

Subscription of new shares

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.

All conditions of the subscription agreement were fulfilled and the 58 million New Shares were issued on 20 June 2006.

Disposal of the property

On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose of all of its interest in the property in Panyu in PRC, at a consideration of RMB75 million, resulting a gain of approximately RMB4 million attributable to the Group. The proposed disposal is subject to the approval by shareholders at the special general meeting. Details of the transaction have been disclosed in the Company's announcement dated 17 July 2006.

Termination of consumer electronics business

In June 2006, the Group decided to terminate the consumer electronic business due to the continuously underperformance.

CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Panyu, PRC are all rented out. As at 31 March 2006, all (2005: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 31 March 2006, approximately 94% (2005: 58% as restated) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group

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$338,000 (2005: HK$275,000) as at 31 March 2006.

The Company

As at 31 March 2006, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK$57,469,794 (2005: HK$55,201,866).

EMPLOYEES

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, the PRC. 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the CG Code, except for the deviation from the requirement of code provision A4.2 in respect of rotation of Directors.

The Company was passed the resolution in the Company's annual general meeting on 29 September 2005 that new Bye-Law of the Company was adopted, which requiring "at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to one-third but not less than one-third) shall retire from office by rotation so that each director shall be subject to retirement at least once every three years".

Upon the resignation of Mr. Chong Chun Kwok, Piggy, chief executive officer of the Company on 12 May 2006, the Group do not have an officer titled chief executive officer. Mr Chong Sing Yuen is the Chairman of the Company and acts as chief executive officer of the Company, which is deviated from the requirement of the code provision A2. The Board considers that this structure is conductive with strong and consistent leadership, enabling the Company to respond promptly and efficiently. The Company will appoint chief executive officer if the appropriate candidate is found.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors, namely Messrs. Yeung King Wah, Yueng Yuen Hei and Cheng Kwok Hing, Andy (the "Audit Committee"). The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, the financial reporting process and the internal control system of the Group. The annual results of the Group for the year ended 31 March 2006 have been reviewed by the Audit Committee.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all Directors confirmed that they had compiled with the required standards as set out in the Model Code throughout the year.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information as required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Chong Sing Yuen
Chairman

Hong Kong, 25 July 2006

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

Please also refer to the published version of this announcement in The Standard.