北方興業控股有限公司*

# NORTHERN INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*
(Stock Code: 736)

## 2006/2007 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 2007 together with the audited comparative figures for the previous year as follows:

| | *Note* | **2007**<br>***HK$*** | 2006<br>*HK$*<br>(restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 4 | **5,658,580** | 2,938,429 |
| Other revenue | 4 | **27,817,945** | 2,654 |
| Administrative expenses | | **(18,808,380)** | (7,976,584) |
| Other operating expenses | | **(4,680)** | (6,375) |
| **Profit/(loss) from operations** | | **14,663,465** | (5,041,876) |
| Finance costs | | **–** | (146) |
| **Profit/(loss) before taxation** | | **14,663,465** | (5,042,022) |
| Income tax | 6 | **(4,728,240)** | – |
| **Profit/(loss) for the year from continuing operations** | | **9,935,225** | (5,042,022) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 5 | **(28,551,269)** | (24,761,000) |
| **Loss for the year** | | **(18,616,044)** | (29,803,022) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(18,616,044)** | (29,803,022) |
| **Earnings/(loss) per share** | 7 | | |
| From continuing and discontinued operations | | | |
| – Basic | | **HK(5.10) cents** | HK(10.80) cents |
| – Diluted | | **N/A** | N/A |
| From continuing operations | | | |
| – Basic | | **HK2.72 cents** | HK(1.83) cents |
| – Diluted | | **HK2.72 cents** | N/A |

* *For identification only*

## CONSOLIDATED BALANCE SHEET

*31 MARCH 2007*

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Non-current assets** | | |
| Property, plant and equipment | **886,616** | 31,172,423 |
| Investment properties | **258,784,000** | 41,021,222 |
| Interests in leasehold land held for own use under operating leases | **–** | 4,351,938 |
| Interests in associates | **–** | – |
| Deferred tax assets | **–** | 5,724 |
| | **259,670,616** | 76,551,307 |
| **Current assets** | | |
| Inventories | **–** | 12,073,678 |
| Trade and bills receivables | **–** | 8,139,100 |
| Other receivables, deposits and prepayments | **2,155,325** | 2,722,882 |
| Pledged deposits | **–** | 500,000 |
| Cash and cash equivalents | **5,801,798** | 310,189 |
| | **7,957,123** | 23,745,849 |
| **Current liabilities** | | |
| Trade payables | **–** | 12,622,220 |
| Other payables and accruals | **5,462,168** | 11,695,737 |
| Due to directors | **35,102** | 3,135,539 |
| Due to a related party | **–** | 13,941,893 |
| Obligations under finance leases | **–** | 742,961 |
| Bank overdrafts and interest-bearing borrowings | **–** | 40,603,814 |
| Tax payable | **419,619** | 1,766,284 |
| | **5,916,889** | 84,508,448 |
| **Net current assets/(liabilities)** | **2,040,234** | (60,762,599) |
| **Total assets less current liabilities** | **261,710,850** | 15,788,708 |
| **Non-current liabilities** | | |
| Bank overdrafts and interest-bearing borrowings | **–** | 1,270,754 |
| Obligations under finance leases | **–** | 188,174 |
| Other payable | **2,751,624** | – |
| Long term payable | **162,504,072** | – |
| Deferred tax liabilities | **60,515,002** | – |
| | **225,770,698** | 1,458,928 |
| **NET ASSETS** | **35,940,152** | 14,329,780 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **83,878,577** | 58,299,577 |
| Reserves | **(47,938,425)** | (43,969,797) |
| **Total equity attributable to equity shareholders of the Company** | **35,940,152** | 14,329,780 |
| **TOTAL EQUITY** | **35,940,152** | 14,329,780 |

*Notes:*

1. **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").

2. **CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The accounting policies of the Group and Company after the adoption of these new and revised HKFRSs have been summarised below.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. The following standards, amendments and interpretations which are not relevant to the Group's operations have been issued and effective at the time of preparing this information :

– HKAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures

– HKAS 21 Amendment – Net Investment in a Foreign Operation;

– HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

– HKAS 39 Amendment – The Fair Value Option;

– HKFRS 6 – Exploration for and Evaluation of Mineral Resources;

– HKFRSs 1 & 6 – Amendments – First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;

– HKFRS-Int 4 – Determining whether an Arrangement contains a Lease;

– HKFRS-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

– HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market -Waste Electrical and Electronic Equipment

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" is effective for annual periods beginning on or after 1 January 2006.

Financial guarantee contracts were previously only disclosed as contingent liabilities as they did not fall within the scope of HKAS 39. Following the introduction of HKAS 39 and HKFRS 4 (Amendments), financial guarantee contracts are accounted for as financial liabilities. Financial guarantee contracts should be measured initially at fair value when the fair value can be measured reliably and subsequently at the higher of (i) the amount determined in accordance with HKAS 37 - Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized over the life of the guarantee on a straight-line basis.

The adoption of HKAS 39 and HKFRS 4 (Amendments) has no impact on the consolidated and Company balance sheet.

3. **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 property investment comprises rental income, surplus on revaluation and gain on disposal of properties.

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.

During the financial year, the Group disposed of its snap off blade cutters and electronic consumer products business.

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 2007** | | | | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | | **Discontinued operations** | | | |
| | **Property investment** *HK$* | **Total** *HK$* | **Snap off blade cutters** *HK$* | **Electronic consumer products** *HK$* | **Total** *HK$* | **Consolidated** *HK$* |
| **Revenue** | | | | | | |
| External sales | **5,658,580** | **5,658,580** | **46,028,732** | **7,182,220** | **53,210,952** | **58,869,532** |
| **Results** | | | | | | |
| Segment results | **15,131,361** | **15,131,361** | **(9,578,431)** | **(19,486,521)** | **(29,064,952)** | **(13,933,591)** |
| Unallocated income | | **3,542,373** | | | **2,440,813** | **5,983,186** |
| Unallocated corporate expenses | | **(4,010,269)** | | | **–** | **(4,010,269)** |
| Profit/(loss) from operations | | **14,663,465** | | | **(26,624,139)** | **(11,960,674)** |
| Finance costs | | **–** | | | **(1,927,130)** | **(1,927,130)** |
| Profit/(loss) before taxation | | **14,663,465** | | | **(28,551,269)** | **(13,887,804)** |
| Income tax | | **(4,728,240)** | | | **–** | **(4,728,240)** |
| Profit/(loss) from ordinary activities attributable to shareholders | | **9,935,225** | | | **(28,551,269)** | **(18,616,044)** |

| | For the year ended 31 March 2006 | | | | | |
|---|---|---|---|---|---|---|
| | Continuing operations | | Discontinued operations | | | |
| | Property investment *HK$* | Total *HK$* | Snap off blade cutters *HK$* | Electronic consumer products *HK$* | Total *HK$* | Consolidated *HK$* |
| **Revenue** | | | | | | |
| External sales | 2,938,429 | 2,938,429 | 43,687,513 | 52,534,530 | 96,222,043 | 99,160,472 |
| **Results** | | | | | | |
| Segment results | 2,938,429 | 2,938,429 | (2,375,940) | (20,866,396) | (23,242,336) | (20,303,907) |
| Unallocated income | | 2,654 | | | 976,037 | 978,691 |
| Unallocated corporate expenses | | (7,982,959) | | | – | (7,982,959) |
| Loss from operations | | (5,041,876) | | | (22,266,299) | (27,308,175) |
| Finance costs | | (146) | | | (2,386,953) | (2,387,099) |
| Loss before taxation | | (5,042,022) | | | (24,653,252) | (29,695,274) |
| Income tax | | – | | | (107,748) | (107,748) |
| Loss from ordinary activities attributable to shareholders | | (5,042,022) | | | (24,761,000) | (29,803,022) |

b) **Geographical segments**

**The Group**

| | **31 March 2007** | | |
|---|---|---|---|
| | **Continuing operations** *HK$* | **Discontinued operations** *HK$* | **Total** *HK$* |
| Turnover | | | |
| Hong Kong | **182,600** | **8,473,557** | **8,656,157** |
| Mainland China | **5,475,980** | **5,853,731** | **11,329,711** |
| Europe | **–** | **17,677,827** | **17,677,827** |
| North America | **–** | **7,575,531** | **7,575,531** |
| East Asia | **–** | **11,184,258** | **11,184,258** |
| Others# | **–** | **2,446,048** | **2,446,048** |
| | **5,658,580** | **53,210,952** | **58,869,532** |

| | 31 March 2006 | | |
|---|---|---|---|
| | Continuing operations *HK$* | Discontinued operations *HK$* | Total *HK$* |
| Turnover | | | |
| Hong Kong | 38,106 | 55,216,656 | 55,254,762 |
| Mainland China | 2,900,323 | 4,890,208 | 7,790,531 |
| Europe | – | 16,331,492 | 16,331,492 |
| North America | – | 7,058,803 | 7,058,803 |
| East Asia | – | 10,135,722 | 10,135,722 |
| Others# | – | 2,589,162 | 2,589,162 |
| | 2,938,429 | 96,222,043 | 99,160,472 |

# *including Brazil, Canada etc.*

## 4. 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:

| | **2007** *HK$* | 2006 *HK$* |
|---|---|---|
| Turnover | | |
| Sales of snap off blade cutters | **46,028,732** | 43,687,513 |
| Sales of electronic consumer products | **7,182,220** | 52,534,530 |
| Gross rental income | **5,658,580** | 2,938,429 |
| | **58,869,532** | 99,160,472 |
| Attributable to continuing operations | **5,658,580** | 2,938,429 |
| Attributable to discontinued operations | **53,210,952** | 96,222,043 |
| | **58,869,532** | 99,160,472 |

**Other revenue**

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Gain on disposal of subsidiaries | **–** | – | **2,440,813** | – | **2,440,813** | – |
| Gain on disposal of property, plant and equipment | **9,089,307** | – | **–** | – | **9,089,307** | – |
| Surplus on revaluation of buildings | **–** | – | **100,000** | 250,083 | **100,000** | 250,083 |
| Fair value adjustments of investment properties | **15,145,560** | – | **–** | 205,212 | **15,145,560** | 205,212 |
| Interest income on bank deposits | **146,377** | 3 | **26,690** | 16,600 | **173,067** | 16,603 |
| Negative goodwill | **3,405,803** | – | **–** | – | **3,405,803** | – |
| Sundry income | **30,898** | 2,651 | **1,767,528** | 1,789,075 | **1,798,426** | 1,791,726 |
| Reversal on provision for due from associates | **–** | – | **–** | 770,825 | **–** | 770,825 |
| | **27,817,945** | 2,654 | **4,335,031** | 3,031,795 | **32,152,976** | 3,034,449 |

## 5. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 7 February 2007, the Company entered into the sale and purchase agreement, pursuant to which the Company agreed to dispose of the entire issued share capital of Asian Field Holdings Corp ("Asian Field Group") and the right of and benefits in the sale loan to Mr. Chong Sing Yuen, a former executive Director, for a consideration of HK$2. The sale loan represents the shareholder loan as at 31 March 2007 after netting off of the amount capitalised.

The disposal was completed on 31 March 2007. The details of transaction have been disclosed in the Company's circular dated 6 March 2007.

The result of the discontinued operations for the year ended 31 March 2007, which have been included in the consolidated income statement, were as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Turnover | | |
| Sales of snap off blade cutters | **46,028,732** | 43,687,513 |
| Sales of electronic consumer products | **7,182,220** | 52,534,530 |
| | **53,210,952** | 96,222,043 |
| Cost of sales | **(52,863,856)** | (103,367,006) |
| Gross profit/(loss) | **347,096** | (7,144,963) |
| Other revenue | **1,894,218** | 3,031,795 |
| Distribution costs | **(4,984,297)** | (7,855,894) |
| Administrative expenses | **(20,511,551)** | (10,297,237) |
| Other operating expenses | **(5,810,418)** | – |
| Loss from operations | **(29,064,952)** | (22,266,299) |
| Finance costs | **(1,927,130)** | (2,386,953) |
| Gain on disposal of operation | **2,440,813** | – |
| Loss before taxation | **(28,551,269)** | (24,653,252) |
| Income tax | **–** | (107,748) |
| Loss for the year | **(28,551,269)** | (24,761,000) |

The carrying amounts of assets and liabilities of the discontinued operations as at the date of disposal, or 31 March 2006 were as follows:

| | **As at the date of disposal** | **31 March 2006** |
|---|---|---|
| | *HK$* | *HK$* |
| Total assets | 23,874,169 | 100,280,724 |
| Total liabilities | 88,881,349 | 129,206,447 |

The cash flows from the discontinued operations for the year ended 31 March 2007, were as follows:

| | 2007 *HK$* | 2006 *HK$* |
|---|---|---|
| Net cash flows from operating activities | **(34,847,050)** | (5,935,439) |
| Net cash flows from investing activities | **(2,448,249)** | (3,211,486) |
| Net cash flows from financing activities | **(35,530,455)** | 12,995,166 |

**6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT**

The provision for Hong Kong profits tax is calculated at 17.5% (2006: 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 | |
|---|---|---|
| | 2007 *HK$* | 2006 *HK$* |
| Current tax | | |
| Hong Kong | – | (12,317) |
| Mainland China | – | 120,065 |
| | – | 107,748 |
| Deferred tax | **4,728,240** | – |
| Tax expense | **4,728,240** | 107,748 |
| Tax expense for continuing operations | **4,728,240** | – |
| Tax expense for discontinued operations | – | 107,748 |
| | **4,728,240** | 107,748 |

**7. EARNINGS/(LOSS) PER SHARE**

The calculation of basic and diluted earnings/(loss) per share is based on the following data:

| | 2007 *HK$* | 2006 *HK$* |
|---|---|---|
| Profit/(loss) for the purpose of basic earnings/(loss) per share (attributable to equity holders of the Company) | | |
| From continuing operations | **9,935,225** | (5,042,022) |
| From discontinued operations | **(28,551,269)** | (24,761,000) |
| | **(18,616,044)** | (29,803,022) |
| Weighted average number of ordinary shares | | |
| Issued ordinary shares at 1 April | **291,497,885** | 4,869,957,705 |
| Effect of share consolidation | – | (4,626,459,820) |
| Effect of share placing | **73,543,274** | 32,350,685 |
| Weighted average number of ordinary shares at 31 March for basic earnings per share | **365,041,159** | 275,848,570 |
| Deemed issue of ordinary shares for share options | **285,260** | N/A |
| Weighted average number of ordinary shares at 31 March for diluted earnings per share | **365,326,419** | N/A |

The calculation of diluted earnings per share for continuing operations for the year ended 31 March 2007 is based on the profit attributable to equity holders of HK$9,935,225 and the weighted average number of 365,326,419 ordinary shares after adjusting for the effects of all dilutive potential shares under the Company's share option scheme.

Diluted loss per share for continuing and discontinued operations for the years ended 31 March 2007 and 2006 and diluted loss per share for continuing operations for the year ended 31 March 2006 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

## COMPARATIVE FIGURES

Due to the termination of the electronic consumer products and the snap off blade cutters businesses during the year, which constituted discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures have been reclassified to conform with current year's presentation.

## DIVIDEND

The Directors do not recommend payment of any final dividend to the shareholders for the year ended 31 March 2007 (2006: Nil).

## REVIEW OF RESULTS

The Group's turnover was HK$58.9 million (2006: HK$99.2 million), representing an decrease of 40.6% over the same period of last year and loss per share was HK5.10 cents (2006: HK10.80 cents). During the year, the Group has ceased its consumer electronic and snap off blade cutters businesses and will focus on the properties investment business.

## BUSINESS REVIEW AND PROSPECTS

### Continuing operation

*Properties investment business*

The turnover of the Group's properties investment business was HK$5.7 million (2006: HK$2.9 million), a 92.6% increase over last year. The results of this business segment enhanced to HK$15.1 million (2006: HK$2.9 million). The increase was mainly due to the acquisition of properties in Shanghai through the acquisition of Luck Grow Group Limited, gain on disposal and fair value adjustments of investment properties in Shanghai during the year. The properties in Shanghai are properties with aggregate gross floor area of approximately 5,621.69 square meters, located in fast developing area or city centre of Shanghai. For details, please refer to the circular dated 31 October 2006. The Group also disposed of all of its interest in the property in Panyu in the PRC, resulting a gain of HK$9.1 million attributable to the Group. The Group will concentrate on the properties investment business and will actively explore other investment opportunities.

### Discontinued operation

*Electronic consumer products business*

The turnover of the Group's electronic consumer products business was HK$7.2 million (2006: HK$52.5 million) and recorded negative contribution to HK$19.5 million (2006: HK$20.9 million). Considering continuously underperformance of consumer electronic business, the Group terminated it in June 2006.

*Snap off blade cutters business*

The turnover of the Group's snap off blade cutters business was HK$46.0 million (2006: HK$43.7 million). Adversely affected by an overall increase in material prices and production costs, the negative results of this business segment enhanced to HK$9.6 million (2006: HK$2.4 million). Having considered the loss making track record for the past years, the Group decided to exit the snap off blade cutters business and dispose it. For details, please refer to the circular dated 6 March 2007.

### Geographical segment analysis

All of the Group's client base for continuing operations are in the PRC. The Group's client base for discontinued operations 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 2007, the current and non-current liabilities of the Group amounted to HK$5.9 million (2006: HK$84.5 million) and HK$225.8 million (2006: HK$1.5 million), respectively. The previous year's net current liabilities position of HK$60.8 million was changed to net current asset position of HK$2.0 million, which was mainly due to the disposal of discontinued operations which had net current liabilities and subscription of new shares during the year.

The Group did not have any bank borrowing as at 31 March 2007 and therefore, the gearing ratio, defined as the percentage of total bank borrowings to shareholders' funds, is nil (2006: 299%). According to the sale and purchase agreement as disclosed in the circular dated 31 October 2006, the promissory notes of HK$157.7 million were not yet issued and are expected to be issued in July 2007 and June 2009.

Most of the Group's continuing business transactions, assets and liabilities are denominated in either Hong Kong dollars or Renminbi. The risk of foreign exchange fluctuation was not significant to the Group as at 31 March 2007.

## INVESTMENT POSITION AND PLANNING

The Group acquired the entire issued share capital of Luck Grow Group Limited in November 2006, whose principal assets are properties in Shanghai. Details of such acquisition are set out in the circular dated 31 October 2006.

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

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

### Subscription of new shares

(i) On 18 May 2006, 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 58 million New Shares at a price of HK$0.23 per New Share under the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 29 September 2005.

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

(ii) On 1 December 2006, the Company entered into a conditional subscription agreement with ten subscribers, third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of approximately 69.9 million New Shares at a price of HK$0.38 per New Share under the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 30 August 2006.

    All conditions of the subscription agreement were fulfilled and the approximately 69.9 million New Shares were issued on 29 December 2006.

## POST BALANCE SHEET EVENT

### Capital reorganisation

On 12 April 2007, the Company proposed to effect the capital reorganisation which involves capital reduction and the share premium reduction. The capital reduction involves a reduction in the nominal value of each existing share in issue of HK$0.20 by HK$0.19 to HK$0.01. Pursuant to the share premium reduction, the entire amount standing to the credit of the share premium account of the Company will be cancelled. The amount arising from the capital reorganisation will be credited to the contributed surplus account of the Company and part of which will be used to fully eliminate the accumulated deficits of the Company as of 31 December 2006. The capital reorganisation is subject to the approval by the shareholders at special general meeting on 21 May 2007.

## CHARGES ON GROUP'S ASSETS

As at 31 March 2007, the investment properties of the Group (being the properties in Shanghai acquired during the year) were pledged to banks to secure credit facilities to the extent of approximately HK$162 million, guarantee to certain independent third parties for working capital funding purpose. No recognition was made because the fair value of such guarantee was insignificant.

## CONTINGENT LIABILITIES

### The Group

As at 31 March 2007, the Group does not have any contingent liability. As at 31 March 2006, the Group had contingent liabilities in respect of possible future long services payments to employees of HK$338K.

### The Company

As at 31 March 2007, the Company does not have any contingent liability. 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.

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### Acquisition of subsidiaries

During the year, the Group acquired all the interest in Luck Grow Group Limited and the sales loan from an independent third party at a consideration of approximately HK$182.5 million. For details, please refer to the circular dated 31 October 2006.

**Disposal of subsidiaries**

During the year, the Group disposed of all its interest in Asian Field Holdings Corp., a wholly owned subsidiary of the Company, to Mr Chong Sing Yuen, a connected person, at a consideration of approximately HK$1. For details, please refer to the circular dated 6 March 2007.

Apart from the above, there were no acquisition and disposal of subsidiaries and associated companies during the year.

## EMPLOYEES

At 31 March 2007, the Group had approximately 10 and 21 employees in Hong Kong and the PRC, respectively. The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The Group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

## 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 Code of Corporate Governance Practice, except for the deviation from the requirement of code provision A2.1.

The Chairman of the Company also acts as chief executive officer of the Company during the year, which is deviated from the requirement of the code provision A2.1. The Board considers that this structure is conductive with strong and consistent leadership, enabling the Company to respond promptly and efficiently.

## 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 2007 have been reviewed by the Audit Committee.

## REVIEW OF FINANCIAL INFORMATION

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2007 have been agreed by the Group's auditors, CCIF CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

## 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
**Zhao Qing Ji**
*Chairman*

Hong Kong, 18 May 2007

*As at the date of this announcement, the Board comprises four executive Directors, Messrs. Zhao Qing Ji, 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.