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 licensed securities dealer or registered institution 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. This circular is not and does not constitute an offer of, nor is it intended to invite offers, for, the securities in Northern International Holdings Limited.

北方興業控股有限公司*

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

(1) VERY SUBSTANTIAL ACQUISITION;

(2) PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF THREE SHARES FOR EVERY SHARE HELD;

(3) APPLICATION FOR WHITEWASH WAVIER; AND

(4) INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser to the Company

VXL FINANCIAL SERVICES LIMITED

卓越企业融资有限公司

(to be re-named as Optima Capital Limited)

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

東英 ORIENTAL PATRON

Oriental Patron Asia Limited

A letter of advice from the independent financial adviser, Oriental Patron Asia Limited, to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 47 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 30 of this circular.

It should be noted that the last day of dealing in the Shares on a cum-rights basis is Thursday, 23 August 2007. Existing Shares will be dealt with on an ex-rights basis from Friday, 24 August 2007.

To qualify for the Open Offer, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Friday, 31 August 2007. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged to the Company's Hong Kong branch share registrars, Tricor Secretaries Limited, for registration by 4:30 p.m. on Monday, 27 August 2007.

A notice convening the SGM to be held at Falcon Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong at 9:30 a.m. on Friday, 31 August 2007 is set out on pages 163 to 166 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

It should be noted that if prior to 4:00 p.m. on the Settlement Date, (1) in the reasonable opinion of any one of the Underwriters, the success of the Open Offer would be materially and adversely affected by: (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement, the circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, the Underwriters shall be entitled severally (and not jointly nor on a joint and several basis) by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If any of the Underwriters terminates the Underwriting Agreement, the Open Offer will not proceed. The obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

* *For identification purpose only*

14 August 2007

CONTENTS

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

"Acquisitions"	the acquisitions of the Subject Properties pursuant to the S&P Agreements
"acting in concert"	has the meaning given to it in the Takeovers Code
"associate(s)"	has the meaning given to it in the Listing Rules
"Acquisitions Announcement"	the announcement of the Company dated 20 July 2007 regarding, among others, the Acquisitions
"Application Form(s)"	application form(s) to be used by the Qualifying Shareholders to apply for Offer Shares
"Board"	board of Directors
"Business Day"	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or which a "black" rain storm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not continued at or before 12:00 noon) on which licensed banks are generally open for business
"Castores"	Castores Magi (Hong Kong) Limited, a firm of professional property surveyors
"CCASS"	Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	The Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Northern International Holdings Limited (Stock code: 736), a company incorporated in Bermuda with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Deed of Termination"	the deed of termination dated 20 July 2007 entered into among the Underwriters, the Company and Mr. Zhao in respect of the termination of the First Underwriting Agreement

"Directors"	directors of the Company
"Enlarged Group"	the Group upon completion of the Acquisitions
"Excluded Shareholders"	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors consider it necessary or expedient not to offer the Offer Shares to such shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the Executive Director of the Corporate Finance Division of the SFC an any delegate of the Executive Director
"Existing Properties"	properties of (i) unit Nos, 201 and 202 on the mezzanine level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC; and (ii) whole of basement level one and ground level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, the PRC, held by the Group
"First Agreement"	the sale and purchase agreement dated 10 July 2007 entered into between Shanghai Xiwu and the Purchaser in respect of the First Property
"First Property"	the property comprising whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC
"First Underwriting Agreement"	the underwriting agreement dated 11 July 2007 entered into among the Underwriters, the Company and Mr. Zhao as guarantor which was terminated by the Deed of Termination
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Independent Board Committee"	an independent committee of the Board comprising Mr. Cheng Kwok Hing Andy, Mr. Yeung Yuen Hei and Ms. Chan Mei Bo Mabel to advise the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver

"Independent Shareholders"	Shareholders other than Profit Key, Mr. Zhao and parties acting in concert with them (including Ms. Pan Chien Pu) and their respective associates and those who are interested in or involved in the Underwriting Agreement
"Last Acceptance Date"	17 September 2007, being the last day for acceptance and payment of the Offer Shares, or such other date as the Company and Underwriters may agree in writing
"Last Trading Day"	10 July 2007, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Open Offer Announcement
"Latest Practicable Date"	11 August 2007 being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
"Latest Time for Termination"	4:00 p.m. on the third business day after the latest time for acceptance of, and payment for, the Offer Shares or such later time or date as may be agreed between the Company and the Underwriters
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhao"	Mr. Zhao Qing Ji, the executive Director and Chairman of the Company
"Offer Share(s)"	the new Share(s) proposed to be offered to the Qualifying Shareholders to subscribe for pursuant to the Open Offer
"Open Offer"	the proposed issue of Offer Shares to the Qualifying Shareholders on the basis of three Offer Shares for every Share held on the Record Date on the terms to be set out in the Prospectus Documents and summarized herein
"Open Offer Announcement"	the announcement dated 24 July 2007, regarding, among others, the proposed Open Offer, application for Whitewash Waiver and increase in authorized share capital of the Company
"Oriental Patron"	Oriental Patron Asia Limited, a licensed corporation carrying out Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver

"PRC"	the People's Republic of China
"Profit Key"	Profit Key Group Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Zhao Qing Ji, an executive Director and Chairman of the Company
"Prospectus"	the prospectus to be despatched to Shareholders in connection with the Open Offer
"Prospectus Documents"	the Prospectus and the Application Form
"Purchaser"	Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), an indirect wholly-owned subsidiary of the Company
"Qualifying Shareholders"	the persons shown on the register of members of the Company on the Record Date, other than the Excluded Shareholders (if any)
"Record Date"	Friday, 31 August 2007, being the date for determining the entitlements of the Qualifying Shareholders to the Open Offer
"Registrar"	Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong
"S&P Agreements"	First Agreement, Second Agreement and Third Agreement
"Second Agreement"	the sale and purchase agreement dated 10 July 2007 entered into between Shanghai Chen Xuan and the Purchaser in respect of the Second Property
"Second Property"	the property comprising whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC
"Settlement Date"	Thursday, 20 September 2007, being the third Business Day following the Last Acceptance Date
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SGM"	the special general meeting of the Company to be convened on Friday, 31 August 2007 to consider and, if thought fit, to approve, among other things, the Acquisitions, the Open Offer, the Whitewash Waiver and the increase in the authorised share capital of the Company

"Shanghai Chen Xuan"	Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司)
"Shanghai Xiwu"	Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司)
"Shanghai Xu Hui"	Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司)
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Options"	the 850,000 share options granted to the eligible participant under the share option scheme of the Company adopted on 4 October 2002 conferring the holders thereof rights to subscribe in cash for new Shares at an exercise price determined in accordance with the scheme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Properties"	First Property, Second Property and Third Property
"Subscription Price"	the subscription price of HK$0.17 per Offer Share pursuant to the Open Offer
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Third Agreement"	the sale and purchase agreement dated 10 July 2007 entered into between Shanghai Xu Hui and the Purchaser in respect of the Third Property
"Third Property"	the property comprising whole of two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC
"Underwriters"	Profit Key and VC Brokerage
"Underwriting Agreement"	the underwriting agreement dated 24 July 2007 entered into among the Underwriters, the Company and Mr. Zhao as guarantor in relation to the underwriting of the Open Offer
"Underwritten Shares"	the total number of Offer Shares which Shareholders are entitled pursuant to the Open Offer, being 1,258,178,655.75 Offer Shares
"Valuation Report"	the independent valuation report in respect of the Existing Properties and Subject Properties prepared by Castores as set out in Appendix IV to this circular

"VC Brokerage"	VC Brokerage Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being one of the Underwriters of the Open Offer
"Whitewash Waiver"	a waiver of the obligation of Profit Key and parties acting in concert with it to make a mandatory offer for all the Shares not already owned or agreed to be acquired by them under Note 1 to Dispensations from Rule 26 of the Takeovers Code as a result of fulfillment of the obligations under the Underwriting Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

For illustrative purpose, the circular contains translation between RMB and HK$ at RMB1.00 = HK$1.026. The translation should not be taken as a representation that the relevant currency could actually be converted into HK$ at that rate or at all.

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Basis of the Open Offer	–	three Offer Shares for every Share held on the Record Date
Number of existing Shares in issue	–	419,392,885.25 Shares
Number of Offer Shares	–	1,258,178,655.75 Offer Shares which are fully underwritten
Subscription Price	–	HK$0.17 per Offer Share, payable in full upon acceptance
Outstanding Share Options	–	850,000 Share Options entitling the holder thereof to subscribe for 850,000 new Shares under the share option scheme of the Company adopted on 4 October 2002. Such holder has undertaken to the Company not to exercise his Share Options prior to the Record Date
Enlarged issued share capital upon completion of the Open Offer	–	1,677,571,541 Shares

The Offer Shares proposed to be provisionally allotted represent:

(a) 300% of the existing issued share capital of the Company; and

(b) 75% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

Amount to be raised by the Open Offer:	Approximately HK$207 million
Basis of entitlement:	Offer Shares will be allotted in the proportion of three Offer Shares for every existing Share held by the Qualifying Shareholders on the Record Date. No Offer Shares will be offered to the Excluded Shareholders (if any)
Right of excess application:	The Qualifying Shareholders will not have the right to apply for excess Offer Shares

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

	2007
Despatch of the circular together with notice of the SGM	Tuesday, 14 August
Last day of dealings in Shares on a cum-rights basis	Thursday, 23 August
First day of dealings in Shares on an ex-rights basis	Friday, 24 August
Latest time for lodging transfer of Shares in order to qualify for the Open Offer	4:30 p.m. on Monday, 27 August
Register of members closes to determine eligibility for the Open Offer (both dates inclusive)	Tuesday, 28 August Friday, 31 August
Latest time and date for lodging forms of proxy for the purpose of the SGM	9:30 a.m. on Wednesday, 29 August
Record Date	Friday, 31 August
Date of SGM	9:30 a.m. on Friday, 31 August
Announcement of SGM results	by 11:00 p.m. on Friday, 31 August
Despatch of the Prospectus Documents	Monday, 3 September
Register of members re-opens	Monday, 3 September
Latest time for acceptance of, and payment for, the Offer Shares *(Note 2)*	4:00 p.m. on Monday, 17 September
Latest time for the Open Offer to become unconditional	4:00 p.m. on Thursday, 20 September
Announcement of results of acceptance of the Open Offer	by 11:00 p.m.. on Thursday, 20 September
Despatch of the respective certificates for the fully-paid Offer Shares on or before	Monday, 24 September
Despatch of refund cheques in respect of wholly or partially unsuccessful applications on or before	Monday, 24 September
Dealings in the fully-paid Offer Shares	9:30 a.m. on Thursday, 27 September

Notes:

1. All time refer to Hong Kong time.

2. **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER**

   The latest time for acceptance of and payment for the Open Offer will not take place if there is:

   - a tropical cyclone warning signal number 8 or above, or
   - a “black” rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 17 September 2007. Instead the latest time of acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same Business Day;

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 17 September 2007. Instead the latest time of acceptance of any payment for the Open Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

   If the latest time for acceptance of and payment for the Open Offer does not take place on 17 September 2007, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. A press announcement will be made by the Company in such event.

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:
Mr. Zhao Qing Ji
Mr. Au Tat On
Mr. Lu Xiao Dong

Independent non-executive:
Mr. Cheng Kwok Hing, Andy
Mr. Yeung Yuen Hei
Ms. Chan Mei Bo, Mabel

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Room 2001, 20/F
Lippo Centre
Tower Two
89 Queensway
Hong Kong

14 August 2007

To the Shareholders and, for information only, the holder of the Share Options

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION;

(2) PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF THREE SHARES FOR EVERY SHARE HELD;

(3) APPLICATION FOR WHITEWASH WAVIER; AND

(4) INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

On 20 July 2007, the Company announced that:

(i) the Group entered into three sale and purchase agreements with three independent third parties regarding the acquisition of three commercial properties in Shanghai, the PRC. The total consideration payable by the Company for the Acquisitions is HK$160,098,000. It is intended that the Group will finance the consideration of the Acquisitions principally by bank borrowings.

* *For identification purpose only*

On 24 July 2007, the Company announced, among other things, that:

(ii) the Company entered into the Underwriting Agreement dated 24 July 2007 with the Underwriters, pursuant to which the Company proposed to raise approximately HK$213,900,000 before expenses by issuing 1,258,178,655.75 Offer Shares at a price of HK$0.17 per Offer Share by way of Open Offer on the basis of three Offer Shares for every Share held on the Record Date;

(iii) the application of Whitewash Wavier; and

(iv) the increase of the authorized share capital of the Company from HK$15,000,000 divided into 1,500,000,000 Shares to HK$35,000,000 divided into 3,500,000,000 Shares by creating an additional 2,000,000,000 unissued Shares.

The Acquisitions are not inter-conditional with the Open Offer, the Whitewash Waiver and the increase of the authorized share capital of the Company.

The purpose of this circular is to provide you with further details regarding, among other things, (i) Acquisitions, the Open Offer, the Whitewash Waiver and the increase in authorized share capital of the Company; (ii) relevant pro forma financial information of the Group as a result of completion of the Acquisitions and Open Offer; (iii) the Valuation Report in relation to the Existing Properties and the Subject Properties; and (iv) the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Oriental Patron to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver, and to give you notice of the SGM.

THE ACQUISITIONS

S&P Agreements dated 10 July 2007

First Agreement:

Parties

Vendor: Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司)

Purchaser: Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xiwu and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal activities of Shanghai Xiwu include, among others, manufacture of machinery, subcontracting of electrical appliances and property investment and development.

Assets to be acquired

Under the First Agreement, the Company agreed to acquire and Shanghai Xiwu agreed to sell the property comprising whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC. Shimei Mansion is a 26-storey commercial building completed in 1997. The First Property has a total gross floor area of approximately 2,352.14 square meters.

Shanghai Xiwu entered into leasing agreements for the premises and advertising spaces of the First Property with a total of 3 tenants who are third parties independent of the Company and its connected persons. The leasing term relating to the premises covers periods up to 2016/2017 while that relating to the advertising spaces covers period from March 2007 to March 2009. As at the Latest Practicable Date, all premises and advertising spaces were leased out. Pursuant to the relevant leasing agreements relating to the premises with a total lettable area of 2,352.14 square meters, the aggregate annual rental for the premises is approximately RMB4.4 million (equivalent to approximately HK$4.51 million), which is subject to an annual increase of 3% commencing on the 3rd or 4th anniversary of the relevant lease. Pursuant to the relevant leasing agreement, the annual rental for the advertising spaces is approximately RMB1.8 million (equivalent to approximately HK$1.85 million). As set out in the financial information of the Subject Properties contained in Appendix II to this circular, the First Property recorded unaudited rental income of approximately RMB1.77 million (equivalent to approximately HK$1.82 million) and RMB3.73 million (equivalent to approximately HK$3.83 million) for each of the two years ended 31 December 2005 and 2006 respectively.

According to the valuation prepared by Castores, the value of the First Property as at 30 June 2007 is HK$86,487,000. The relevant valuation report is set out in Appendix IV to this circular.

Consideration

The consideration payable by the Purchaser to Shanghai Xiwu for the acquisition of the First Property is HK$86,487,000. The consideration was arrived at after arm's length negotiations between the Purchaser and Shanghai Xiwu with reference to an indicative valuation conducted by Castores on the First Property as at 31 May 2007. The Directors consider that the consideration is fair and reasonable.

The consideration for the First Property will be settled as follows:

(a) HK$43,243,500 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the First Agreement (i) to (vi) and (viii) as set out in the sub-section headed "Conditions precedent to the S&P Agreements" below; and

(b) the remaining HK$43,243,500 in cash, which will be paid on the tenth business day after completion of the First Agreement.

Second Agreement:

Parties

Vendor: Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司)

Purchaser: Shanghai Xiang Chen Hang

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Chen Xuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal activities of Shanghai Chen Xuan include, among others, provision of trading of metal materials, construction materials, electronic and chemical products; and provision of property investment.

Assets to be acquired

Under the Second Agreement, the Company agreed to acquire and Shanghai Chen Xuan agreed to sell the property comprising whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC. As mentioned above, Shimei Mansion is a 26-storey commercial building completed in 1997. The Second Property has a total gross floor area of approximately 2,762.13 square meters.

Shanghai Chen Xuan entered into leasing agreements for the premises and advertising spaces of the Second Property with a total of 3 tenants who are parties independent of the Company and its connected persons. The leasing term relating to the premises covers periods up to 2016/2017 while that relating to the advertising spaces covers period from March 2007 to March 2009. As at the Latest Practicable Date, all premises and advertising spaces were leased out. Pursuant to the relevant leasing agreements relating to the premises with a total lettable area of 2,762.13 square meters, the aggregate annual rental for the premises is approximately RMB2.4 million (equivalent to approximately HK$2.46 million), which is subject to an annual increase of 3% commencing on the 3rd or 4th anniversary of the relevant lease. Pursuant to the relevant leasing agreement, the annual rental for the advertising spaces is approximately RMB1.2 million (equivalent to approximately HK$1.23 million). As set out in the financial information contained in Appendix II to this circular, the Second Property recorded unaudited rental income of RMB0.99 million (equivalent to approximately HK$1.02 million) and RMB2.07 million (equivalent to approximately HK$2.12 million) for each of the two years ended 31 December 2005 and 2006 respectively.

According to the valuation prepared by Castores, the value of the Second Property as at 30 June 2007 is HK$42,740,000. The relevant valuation report is set out in Appendix IV to this circular.

Consideration

The consideration payable by the Purchaser to Shanghai Chen Xuan for the acquisition of the Second Property is HK$42,740,000. The consideration was arrived at after arm's length negotiations between the Purchaser and Shanghai Chen Xuan with reference to an indicative valuation conducted by Castores on the Second Property as at 31 May 2007. The Directors consider that the consideration is fair and reasonable.

The consideration for the Second Property will be settled as follows:

(a) HK$21,370,000 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the Second Agreement (i) to (vi) and (viii) as set out in the sub-section headed "Conditions precedent to the S&P Agreements" below; and

(b) the remaining HK$21,370,000 in cash, which will be paid on the tenth business day after completion of the Second Agreement.

Third Agreement:

Parties

Vendor: Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司)

Purchaser: Shanghai Xiang Chen Hang

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xu Hui and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal activities of Shanghai Xu Hui include, among others, provision of trading of metal materials, construction materials, electronic products and other products; and provision of exhibition services and property management.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xiwu, Shanghai Chen Xuan and Shanghai Xu Hui have certain common beneficial owners.

Assets to be acquired

Under the Third Agreement, the Company agreed to acquire and Shanghai Xu Hui agreed to sell the property comprising whole of two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC. Yun Han Building is a 24-storey commercial building completed in 1999. The Third Property has a total gross floor area of approximately 2,062.83 square meters. At present, the Group owns unit Nos. 201 and 202 on the mezzanine level in Yun Hai Building.

Upon completion of the Third Agreement, Shanghai Xu Hui (as tenant) and Shanghai Xiang Chen Hang (as landlord) will enter into a leasing agreement for the premises of the Third Property with a leasing term of two years. The annual rental for the premises is expected to be RMB7.2 million (equivalent to approximately HK$7.39 million) which is determined after arm's length negotiations between Shanghai Xu Hui and Shanghai Xiang Chen Hang with reference to the prevailing market rate. Taking into account that the aforesaid leasing agreement could provide additional income source for the Group, the Directors consider that the entering into of the aforesaid leasing agreement is in the interests of the Group and the Shareholders.

As set out in the financial information contained in Appendix II to this circular, the Third Property recorded unaudited rental income of nil and RMB3.0 million (equivalent to approximately HK$3.08 million) for each of the two years ended 31 December 2005 and 2006 respectively.

According to the valuation prepared by Castores, the value of the Third Property as at 30 June 2007 is HK$30,943,000. The relevant valuation report is set out in Appendix IV to this circular.

Consideration

The consideration payable by the Purchaser to Shanghai Xu Hui for the acquisition of the Third Property is HK$30,871,000. The consideration was arrived at after arm's length negotiations between the Purchaser and Shanghai Xu Hui with reference to an indicative valuation conducted by Castores on the Third Property as at 31 May 2007. The Directors consider that the consideration is fair and reasonable.

The consideration for the Third Property will be settled as follows:

(a) HK$15,435,500 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the Third Agreement (i) to (vi) as set out in the sub-section headed "Conditions precedent to the S&P Agreements" below; and

(b) the remaining HK$15,435,500 in cash, which will be paid on the tenth business day after completion of the Third Agreement.

CONDITIONS PRECEDENT TO THE S&P AGREEMENTS

Completion of each of the S&P Agreements is conditional upon fulfilment of the following conditions:

(i) all necessary consents, approvals and authorizations in relation to the transactions contemplated under each of the S&P Agreements having been obtained by the respective vendor of the Subject Properties;

(ii) there being no matter, fact or circumstance which constituted or is likely to constitute any breach of the provision or the warranties given by the respective vendor of the Subject Properties;

(iii) the Purchaser obtaining all necessary consents and approvals including the passing of the necessary ordinary resolutions at the SGM by the Shareholders approving each of the Acquisitions;

(iv) the receipt by the Purchaser of a legal opinion issued by a PRC law firm appointed by the Purchaser in form and substance acceptable to the Purchaser in relation to each of the Acquisitions;

(v) the receipt by the Purchaser of the valuation reports issued by an independent property valuer appointed by the Company in form and substance acceptable to the Purchaser affirming that the valuation of the First Property, Second Property and Third Property is no less than HK$86,487,000, HK$42,740,000 and HK$30,871,000 respectively;

(vi) the Purchaser having satisfied with the results of its due diligence review on each of the Subject Properties; and

(vii) the respective vendor of the Subject Properties provide written confirmation to the satisfaction of the Purchaser that the mortgages of the Subject Properties have been discharged.

Completion of the First Agreement and the Second Agreement are subject further to the condition precedent (viii) that the respective vendor of the First Property and Second Property provide written confirmations to the satisfaction of the Purchaser that the relevant tenants of the relevant properties have given up the first right of refusal to acquire the relevant properties.

Save for conditions (i), (iii), (vii) and (viii) above which are not waivable, the Company may waive any of the above conditions. The S&P Agreements are not inter-conditional on each other.

If the conditions above are not fulfilled or waived (as the case may be) within 180 days from the date of receipt of deposit under the respective S&P Agreements or such other date as the parties to each of the S&P Agreements may agree, the relevant S&P Agreements will lapse.

REASONS FOR THE ACQUISITIONS

Following the cessation of the businesses of manufacture and sale of snap off blade cutters and electronic consumer products in March 2007, the Group now focuses on properties investment business. At present, the property portfolio of the Group includes certain commercial properties with aggregate gross floor area of approximately 5,621.69 square meters, respectively located in Xuhui central business district (徐匯區) and Putuo district (普陀區) in Shanghai which are fast developing area or city centre of Shanghai.

As set out in the announcement of the Company dated 5 September 2006 and the circular of the Company dated 31 October 2006, the Group acquired the interests in aforesaid Existing Properties and sale loan at a consideration of HK$182.5 million (the "Previous Acquisition"). The completion of the Previous Acquisition took place in November 2006. The Existing Properties were pledged to certain banks by their previous owners (Shanghai Xiwu and Shanghai Chen Xuan) to secure banking facilities of approximately RMB164 million (equivalent to approximately HK$168 million) in favour of two independent borrowers pursuant to three mortgage loan agreements. The Board was informed that all mortgage loans granted to the aforesaid independent borrowers have been released in July 2007 and the Company has issued the promissory notes in an aggregate amount of HK$157.7 million to satisfy the equivalent amount of consideration for the Previous Acquisition. Mr. Zhao confirms that (i) he is not connected with the vendors and their respective beneficial owners of the Previous Acquisition; and (ii) he is not connected with the vendors and their respective beneficial owners of the Acquisitions. Profit Key and Mr. Zhao confirm that they have not held any interests in the First Property, Second Property and Third Property in the past 24 months.

The Directors consider that the Acquisitions will provide a good opportunity for the Group to expand its property portfolio. It is intended that the Group will finance the consideration of the Acquisitions principally by bank borrowings. The Group has been discussing with a bank in the PRC regarding the proposed grant of mortgage loans to be secured by the Existing Properties and the Subject Properties. It is expected that the proposed acquisitions of three commercial properties under the S&P Agreements will provide a stable source of rental income to the Group in future. Upon completion of the Acquisitions, the financial results of Subject Properties will be consolidated into the accounts of the Group. In view of the economic development in the PRC, the Board foresees that the demand for real estates, especially commercial properties in major cities of the PRC such as Shanghai, Beijing and Shenzhen will remain strong. The Group intends to explore further in the properties investment business which would achieve capital appreciation and generate stable revenue to the Group. Taking into account the above factors, the Directors are of the view that the terms of the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITIONS ON THE GROUP

Immediately following the completion of the Acquisitions, the Company will be directly interested in three commercial properties in Shanghai and the revenue generated by these properties will be consolidated into the accounts of the Group.

As set out in the consolidated balance sheet of the Group contained in Appendix I to this circular, the Group had audited total assets attributable to the Shareholders of approximately HK$267.6 million as at 31 March 2007. Based on the total assets of the Group as at 31 March 2007 and assuming the completion of the Acquisitions, the unaudited pro forma total assets attributable to the Shareholders will be approximately HK$423.7 million as shown in the unaudited pro forma consolidated balance sheet of the Group contained in Appendix III to this circular.

The Group did not have any bank borrowings as at 31 March 2007 and the Company is intended to finance the consideration of the Acquisitions principally by bank borrowings. The liabilities of the Group would accordingly increase after the completion of the Acquisitions.

The Acquisitions are expected to enhance the revenue base of the Group. As shown in the unaudited pro forma consolidated income statement of the Group contained in Appendix III to this circular, approximately HK$8.8 million annual rental income before deducting related PRC business tax and property tax would be generated by Subject Properties and recognized in the income statement assuming completion of the Acquisitions and the turnover of Enlarged Group would be increased from approximately HK$5.7 million to HK$14.5 million.

THE PROPOSED OPEN OFFER

Issue statistics:

Basis of the Open Offer	–	three Offer Shares for every Share held on the Record Date
Number of existing Shares in issue	–	419,392,885.25 Shares
Number of Offer Shares	–	1,258,178,655.75 Offer Shares which are fully underwritten
Outstanding Share Options	–	850,000 Share Options entitling the holder thereof to subscribe for 850,000 new Shares under the share option scheme of the Company adopted on 4 October 2002. Such holder has undertaken to the Company not to exercise his Share Options prior to the Record Date
Enlarged issued share capital upon completion of the Open Offer	–	1,677,571,541 Shares

The Offer Shares proposed to be provisionally allotted represent:

(a) 300% of the existing issued share capital of the Company; and

(b) 75% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

Save for the outstanding Share Options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Qualifying Shareholders:

The Company will send the Application Forms for Offer Shares to the Qualifying Shareholders only. To qualify for the Open Offer, Shareholders must, at the close of business on the Record Date, be registered on the register of members of the Company. Shareholders having an address in Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Open Offer. Shareholders having an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Open Offer, only if the Board, after making relevant enquiry regarding the legal restrictions under the laws of the relevant place or the requirement of the relevant regulatory body or stock exchange in that place pursuant to Rule 13.36(2)(a) of the Listing Rules, considers that it would not be necessary or expedient to exclude the Open Offer to these Shareholders. Please also refer to the paragraph headed "Rights of Excluded Shareholders (if any)" below for details.

The register of members of the Company will close from Tuesday, 28 August 2007 to Friday, 31 August 2007 (both dates inclusive). No transfer of Shares will be registered during this period.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Monday, 27 August 2007.

The invitation to apply for Offer Shares will not be transferable and there will be no trading in nil-paid entitlements on the Stock Exchange and the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured allotments.

Subscription Price:

HK$0.17 per Offer Share, payable in full on application. The Subscription Price represents:–

(i) a discount of approximately 76.1% to the closing price of HK$0.71 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 44.3% to the theoretical ex-entitlement price of HK$0.305 per Share based on the aforesaid closing price per Share;

(iii) a discount of approximately 76.4% to the average of the closing prices of the Shares for the 10 trading days ended on the Last Trading Day of approximately HK$0.72;

(iv) a discount of approximately 84% to the closing price of HK$1.07 per Share as quoted on the Stock Exchange on the last full trading day immediate preceding the Latest Practicable Date; and

(v) a premium of approximately 88.9% to the audited consolidated net tangible assets per Share of approximately HK$0.09 as at 31 March 2007.

The subscription price for Offer Shares has been determined based on arm's length negotiations between the Company and the Underwriters with reference to prevailing market prices of Shares and the fundamentals of the Group. The Directors consider that the terms of the Underwriting Agreement are fair and reasonable and the discount of the Subscription Price as compared to the recent market prices would encourage Shareholders to participate in the Open Offer and the future growth of the Company.

Status of Offer Shares:

When allotted and issued fully paid, Offer Shares will rank pari passu in all respects with the existing Shares. Holders of Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of issue of Offer Shares.

Rights of the Excluded Shareholders (if any):

If at the close of business on the Record Date a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder may not take part in the Open Offer as documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The invitation to apply for Offer Shares to an Excluded Shareholder may, without compliance with specific formalities in the place of residence of such Excluded Shareholder, be unlawful or impracticable. Accordingly, the Excluded Shareholders will not be invited to participate in the Open Offer. The Company will send the Prospectus to the Excluded Shareholders for their information only. The Company will not send the Application Forms for Offer Shares to the Excluded Shareholders.

Based on the register of members of the Company, there are two Shareholders who have a registered address in the PRC, one Shareholder who has a registered address in the British Virgin Islands and one Shareholder who has a registered address in Taiwan as at the Latest Practicable Date. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, sought legal advice regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange.

The Directors have been advised by its legal advisers that it would be lawful for the Company to offer the Offer Shares to those Shareholders with registered address in the PRC and Taiwan even though the Prospectus Documents are not registered in those relevant jurisdictions. Therefore, those overseas Shareholders in the PRC and Taiwan are entitled to participate in the Open Offer and the Prospectus Documents will be sent to them accordingly if they remain Shareholders on the Record Date.

In respect of the Shareholder who has a registered address in the British Virgin Islands, the legal advisers of the Company as to the laws of the British Virgin Islands had conducted a company search in the British Virgin Islands and as at the Latest Practicable Date, were not able to find the name of the Shareholder on the Register of Companies in the British Virgin Islands. As the status of the Shareholder and the place where the Shareholder was incorporated are unclear, the legal advisers as to the laws of the British Virgin Islands cannot confirm that there are no legal restrictions under the laws of the British Virgin Islands and no requirements of the relevant regulatory body or stock exchange restricting the Offer Shares to be offered to such Shareholder. On the basis of the foregoing, the Directors do not consider it necessary and expedient to offer the Offer Shares to such Shareholder.

No application for excess Offer Shares:

After arm's length negotiation with the Underwriters, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. The Company considers that the administrative costs would be lowered without the excess application.

Application for listing:

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Offer Shares. Dealings in Offer Shares on the Hong Kong branch register of members will be subject to the payment of stamp duty in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING AGREEMENT DATED 24 JULY 2007

Pursuant to the Underwriting Agreement, Profit Key shall subscribe for, or procure subscription of, up to 629,089,327.75 Underwritten Shares not being taken up before VC Brokerage is required to subscribe for any Underwritten Shares. If there remains any Underwritten Shares not being taken up after Profit Key's subscription or procurement of subscription in full, VC Brokerage shall subscribe for, or procure subscription of, the remaining Underwritten Shares not being taken up.

Profit Key is an investment holding company wholly owned by Mr. Zhao. Mr. Zhao was appointed as an executive Director in November 2006 and as Chairman of the Company in January 2007.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, VC Brokerage is a third party independent of the Company and its connected persons.

As at the Latest Practicable Date, neither Profit Key nor Mr. Zhao holds any Shares and VC Brokerage does not beneficially hold any Shares.

Commission and other payment:

The Company will pay to the Underwriters an underwriting commission at 2.5% of the aggregate Subscription Price of the number of Offer Shares underwritten by the Underwriters. The aggregate underwriting commission will be approximately HK$5.3 million.

Termination of the Underwriting Agreement:

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of any one of the Underwriters, the success of the Open Offer would be materially and adversely affected by:

  (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

  (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement, the circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriters shall be entitled severally (and not jointly nor on a joint and several basis) by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If any of the Underwriters terminates the Underwriting Agreement, the Open Offer will not proceed. The obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

CONDITIONS OF THE UNDERWRITING AGREEMENT

The obligations of the Underwriters under the Underwriting Agreement are conditional, among other things, on the following conditions:

(i) the passing by the Independent Shareholders at the SGM of an ordinary resolution (such vote shall be taken by way of poll) to approve:

(a) an increase in the authorized share capital of the Company from HK$15,000,000 divided into 1,500,000,000 Shares to HK$35,000,000 divided into 3,500,000,000 Shares by creating an additional 2,000,000,000 unissued Shares;

(b) the Open Offer; and

(c) the Whitewash Waiver;

(ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;

(iii) the Executive granting the Whitewash Waiver;

(iv) the delivery to the Stock Exchange for authorization on and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the posting date of the Prospectus Documents;

(v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose;

(vi) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time of Termination or such later time as the Underwriters may agree with the Company in writing;

(vii) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by either all Directors or one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act on or before the posting date of the Prospectus Documents; and

(viii) compliance with and performance of the undertaking by holder of the Share Options.

None of the above conditions is capable of being waived. If the conditions to the Underwriting Agreement are not fulfilled on the dates as specified in the Underwriting Agreement (or such later date or dates as the Underwriters may agree with the Company in accordance with its terms), the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches. **The Open Offer is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Open Offer and the Underwriting Agreement are inter-conditional.**

WARNING OF THE RISKS OF DEALING IN SHARES

If any one of the Underwriters terminates the Underwriting Agreement, or the conditions of the Underwriting Agreement are not fulfilled, the Open Offer will not proceed.

Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares who is in any doubt about his/her position is recommended to consult his/her own professional adviser.

SHAREHOLDING IN THE COMPANY

The following is a summary of the shareholding of the Company before and after the completion of the Open Offer:

Shareholders	As at the Latest Practicable Date and prior to the Open Offer		Upon completion of the Open Offer			
	Number of Shares	*%*	*Number of Shares (Note a)*	*%*	*Number of Shares (Note b)*	*%*
Win Channel Investments Limited *(Note c, e)*	65,000,000.00	15.50	260,000,000	15.50	65,000,000.00	3.87
Easy Huge Holdings Limited *(Note d, e)*	48,000,000.00	11.45	192,000,000	11.45	48,000,000.00	2.86
Profit Key *(Note f)*	–	–	–	–	629,089,327.75	37.50
Pan Chien Pu *(Note e, f, g)*	58,000,000.00	13.83	232,000,000	13.83	58,000,000.00	3.46
Profit Key and parties acting in concert with it	58,000,000.00	13.83	232,000,000	13.83	687,089,327.75	40.96
Subscribers procured by the sub-underwriters procured by VC Brokerage *(Note e)*	–	–	–	–	629,089,328.00	37.50
Other public Shareholders	248,392,885.25	59.22	993,571,541	59.22	248,392,885.25	14.81
Total	419,392,885.25	100.00	1,677,571,541	100.00	1,677,571,541.00	100.00
Total public Shareholders	248,392,885.25	59.22	993,571,540	59.22	1,048,482,213.25 *(Note e)*	62.50

Notes:

a) Assuming that all Shareholders take up their entitlements under the Open Offer.

b) Assuming no Shareholders take up their entitlements under the Open Offer and all the Underwritten Shares are taken up by the Underwriters.

c) Win Channel Investments Limited is wholly owned by Mr. Chim Pui Chung and did not indicate its intention to subscribe for the Offer Shares.

d) Easy Huge Holdings Limited is wholly owned by Mr. Ng Kin Wah and did not indicate its intention to subscribe for the Offer Shares.

e) Win Channel Investments Limited, Ms. Pan Chien Pu and Easy Huge Holdings Limited will be treated as public Shareholders as long as their respective shareholding in the Company is below 10%. The subscribers procured by the sub-underwriters procured by VC Brokerage are public Shareholders and it is expected that no such subscribers will become substantial Shareholders as a result of the Open Offer.

f) Profit Key is wholly owned by Mr. Zhao, who is an executive Director and Chairman of the Company. Mr. Zhao and Ms. Pan Chien Pu are parties acting in concert.

g) The figures are for illustration purpose only. Ms. Pan Chien Pu does not intend to take up her assured entitlements under the Open Offer.

Pursuant to the Underwriting Agreement, VC Brokerage will use all reasonable endeavours (exercising due care and making reasonable enquiries) to ensure that the subscribers procured by VC Brokerage and their ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and the connected persons of the Company, and not acting in concert with Profit Key or its associates (as defined in the Takeovers Code), or the connected persons of the Company.

VC Brokerage has sub-underwritten all its Underwritten Shares to more than six sub-underwriters. Such sub-underwriters are third parties independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates, and not acting in concert with Profit Key or its associates (as defined in the Takeovers Code). The six sub-underwriters will use all reasonable endeavours (exercising due care and making reasonable enquires) to ensure that the subscribers (if any) and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. It is also expected that none of such sub-underwriters, by taking up their sub-underwritten commitments in full, will become a substantial shareholder of the Company immediately following the completion of the Open Offer.

WHITEWASH WAIVER

As at the date of the Underwriting Agreement, Profit Key and parties acting in concert with it were interested in 58,000,000 Shares representing approximately 13.83% of the issued share capital of the Company. In the event that Profit Key is required to subscribe for all the 629,089,327.75 Offer Shares being underwritten on its part, Profit Key and parties acting in concert with it will become interested in a total of 687,089,327.75 Shares, representing approximately 40.96% of the issued share capital of the Company as enlarged by the Open Offer. Profit Key and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. Profit Key has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of a poll at the SGM, it will grant the Whitewash Waiver.

It is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. **If the Whitewash Waiver is not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.**

Profit Key and parties acting in concert with it have not dealt in the Shares or other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares in the six-month period immediately prior to the date of the Open Offer Announcement.

An independent board committee comprising all independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Open Offer and the Whitewash Waiver. Oriental Patron Asia Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this regard. Such appointment has been approved by the independent board committee.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

As set out in the announcement of the Company dated 5 September 2006 and the circular of the Company dated 31 October 2006, the Group acquired the interests in Existing Properties and sale loan at a consideration of HK$182.5 million (the "Previous Acquisition"). The completion of the Previous Acquisition took place in November 2006. The Existing Properties were pledged to certain banks by their previous owners to secure banking facilities of approximately RMB164 million (equivalent to approximately HK$168 million) in favour of two independent borrowers pursuant to three mortgage loan agreements. The Board was informed that all mortgage loans granted to aforesaid independent borrowers have been released in July 2007 and the Company has issued the promissory notes in an aggregate amount of HK$157.7 million to satisfy the equivalent amount of consideration for the Previous Acquisition. The promissory notes bear an interest rate of 5% per annum. Details of the aforesaid arrangements are set out in the circular of the Company dated 31 October 2006.

Net proceeds of the Open Offer of approximately HK$207 million is intended to be applied as to approximately HK$157.7 million for repayment of aforesaid promissory notes and as to approximately HK$49.3 million for general working capital of the Group. The Directors are of the view that with the recent buoyant and high liquidity equity market conditions, it is in the interests of the Company to raise equity capital to strengthen the Group's financial position and enlarge its capital base, and to finance the interest bearing borrowings by equity.

FUND RAISING ACTIVITIES IN PAST TWELVE MONTHS

The table below sets out the equity fund raising activities of the Company in the past 12 months immediately preceding the date of the Open Offer Announcement.

Nature of transaction	Date of mandate granted	Date of agreement	Date of announcement	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
Subscription of 69,895,000 new Shares	30 August 2006	1 December 2006	1 December 2006	Approximately HK$26.3 million	Intended to be used for general working capital of the Group	Fully utilized as intended

Save as aforesaid, the Company did not conduct any other fund raising activities in the past 12 months immediately preceding the date of the Open Offer Announcement.

INCREASE IN AUTHORISED SHARE CAPITAL

To cater for the issue of Offer Shares, the Directors propose to increase the authorized share capital of the Company from HK$15,000,000 divided into 1,500,000,000 Shares to HK$35,000,000 divided into 3,500,000,000 Shares by creating an additional 2,000,000,000 unissued Shares

ADJUSTMENT OF EXERCISE PRICE OF THE SHARE OPTIONS

Subject to the Open Offer becoming unconditional, the exercise price of the Share Options may be required to be adjusted in accordance with their terms as a result of the Open Offer. Further announcement will be made by the Company relating to any required adjustment.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The principal activity of the Company is investment holding. The Group ceased the businesses of manufacture and sale of snap off blade cutters and electronic consumer products in March 2007 and now focuses on properties investment business.

According to the 2007 annual report of the Company, the Group incurred an audited net loss of approximately HK$29.8 million and HK$18.6 million respectively for each of the two years ended 31 March 2006 and 2007. Following the disposal of a loss-making group of subsidiaries engaged in snap off blade cutters and electronic consumer products in March 2007, the Group concentrates on properties investment business and actively explores other investment opportunities. As at 31 March 2007, the Group had audited net current assets of approximately HK$2.0 million and net asset value of approximately HK$35.9 million.

Align with the initiative to broaden the Group's business horizon and diversify the income stream, the Group will proactively seek for new and viable real estate investment opportunities in the PRC. The acquisition of the Existing Properties in 2006 provides a good opportunity enabling the Group to advance into the property market in the PRC. It is expecting the Acquisitions will contribute new stable income stream to the Group.

GENERAL

The Acquisitions constitute a very substantial acquisition transaction on the part of the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the S&P Agreements are conditional on approval by the Shareholders at the SGM. The SGM will be held to consider and, if thought fit, pass the necessary resolution to approve the S&P Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholders nor Directors have material interest in the S&P Agreements. No Shareholder is required to abstain from voting to approve the S&P Agreements and the transactions contemplated thereunder at the SGM.

The Independent Board Committee has been established to make recommendations to the Independent Shareholders on the terms of the Open Offer and the Whitewash Wavier. Oriental Patron has been appointed to make recommendations to the Independent Board Committee and Independent Shareholders in this regard.

SPECIAL GENERAL MEETING

Since no excess application for the Offer Shares is available and one of the Underwriters, Profit Key, is wholly owned by Mr. Zhao who is a Director, in accordance with Rule 7.26A (2) of the Listing Rules, the absence of excess application must be specifically approved by the Independent Shareholders at the SGM. The SGM will be held to consider and, if thought appropriate, to approve the Open Offer and the Whitewash Waiver and the increase in authorized share capital of the Company. As at the Latest Practicable Date, Profit Key and parties acting in concert with it were interested in 58,000,000 Shares representing approximately 13.83% of the issued share capital of the Company. Profit Key, Mr. Zhao and parties acting in concert with them and their respective associates and those who are interested in or involved in the Underwriting Agreement will be required to abstain from voting at the SGM to approve the Open Offer and the Whitewash Waiver. The voting on the resolutions to approve the Open Offer and the Whitewash Waiver will be conducted by way of poll.

A notice convening the SGM at Falcon Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 31 August 2007 at 9:30 a.m. is set out on pages 163 to 166 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, Tricor 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.

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) by the Chairman of the meeting; or

(b) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) 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

(d) 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 believe that the terms of the Acquisitions and the increase in authorised share capital of the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the aforesaid proposal.

The executive Directors also believe that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver. You are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer and the Whitewash Waiver on page 30 of this circular. The Independent Board Committee, having taken into account the advice of Oriental Patron, the text of which is set out on pages 31 to 47 of this circular, considers that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer and the Whitewash Waiver at the SGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Northern International Holdings Limited
Mr. Zhao Qing Ji
Chairman

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Open Offer and the Whitewash Waiver:

北方興業控股有限公司*

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

14 August 2007

To the Independent Shareholders

Dear Sirs,

OPEN OFFER AND WHITEWASH WAIVER

We refer to the circular of the Company dated 14 August 2007 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned. Oriental Patron has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Oriental Patron as set out in its letter of advice to you and us on pages 31 to 47 of the Circular, we are of the opinion that the Open Offer is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. We are also of the view that the grant of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee
Mr. Cheng Kwok Hing, Andy   Mr. Yeung Yuen Hei   Ms. Chan Mei Bo, Mabel
Independent non-executive Directors

* *For identification purpose only*

The following is the full text of the letter from Oriental Patron setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver.

27/F., Two Exchange Square,
8 Connaught Place,
Central, Hong Kong.

14 August 2007

The Independent Board Committee and the Independent Shareholders
Northern International Holdings Limited
Room 2001, 20/F.,
Lippo Centre, Tower Two,
89 Queensway Road,
Hong Kong.

Dear Sirs,

PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF THREE OFFER SHARES FOR EVERY SHARE HELD ON RECORD DATE AND WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver, details of which are set out in the "Letter from the Board" in the circular dated 14 August 2007 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 24 July 2007, the Company announced, among other things, that the Company's proposal to raise approximately HK$213.9 million before expenses by issuing 1,258,178,655.75 Offer Shares by way of the Open Offer at HK$0.17 per Offer Share. The Open Offer is fully underwritten pursuant to the terms and conditions of the Underwriting Agreement. As the Open Offer would increase the issued share capital of the Company by more than 50%, the Open Offer is required under the Listing Rules to be made conditional on approval by Shareholders in general meeting by a resolution on which any Directors (excluding independent non-executive Directors) and chief executive of the Company and its respective associates shall abstain from voting in favour.

Profit Key is one of the two Underwriters to the Open Offer and is wholly owned by Mr. Zhao who is an executive Director and chairman of the Company. As at the date of the Underwriting Agreement, Profit Key and parties acting in concert with it were interested in 58,000,000 Shares, representing approximately 13.83% of the issued share capital of the Company. In the event that Profit Key is required to take up all the 629,089,327.75 Offer Shares (being its underwritten commitment pursuant to the Underwriting Agreement), Profit Key and parties acting in concert with it will become interested in a total of (i) 687,089,327.75 Shares, representing approximately 40.96% of the issued share capital of the Company as enlarged by the Open Offer if Ms. Pan Chien Pu ("**Ms. Pan**"), a party acting in concert with Profit Key, does not take up her assured entitlements under the Open Offer according to her intention as at the Latest Practicable Date; and (ii) 861,089,327.75 Shares, representing approximately 51.33% of the issued share capital of the Company as enlarged by the Open Offer if Ms. Pan takes up her assured entitlements under the Open Offer in full. In either case, Profit Key and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. An application has been made to the Executive by Profit Key for the Whitewash Waiver under Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of a poll at the SGM, it will grant the Whitewash Waiver. As stated in the Letter from the Board, the Open Offer and the Underwriting Agreement are inter-conditional and that it is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained.

By virtue of Profit Key's interest in the Underwriting Agreement, Profit Key, Mr. Zhao and parties acting in concert with them and their respective associates and those who are interested in or involved in the Underwriting Agreement will be required to abstain from voting at the SGM to approve, among other things, the Open Offer and the Whitewash Waiver.

The Independent Board Committee, comprises all the independent non-executive Directors, namely, Mr. Cheng Kwok Hing, Andy, Mr. Yeung Yuen Hei and Ms. Chan Mei Bo, Mabel, has been established to give advice and recommendation to the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver. Each of Mr. Cheng Kwok Hing, Andy, Mr. Yeung Yuen Hei and Ms. Chan Mei Bo, Mabel has confirmed that he/she does not have any conflict of interest in the Open Offer and the Whitewash Waiver and are eligible to be members of the Independent Board Committee.

This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above.

BASIS OF OUR OPINION

In formulating our recommendations, we have relied on the statements, information and facts supplied by, the opinions expressed by and the representations expressed by the Directors and/or the management of the Group, including those facts, opinions and representations set out in the Circular. We have been advised by the Directors and/or the management of the Group that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information and representations untrue, inaccurate or misleading. We have assumed that the information contained and representations made or referred to in the Circular were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Circular. We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the Open Offer and the Whitewash Waiver, and consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us by the Directors and/ or management of the Group. We have not, however, conducted any independent verification of the information provided, nor have we carried our any form of independent investigation into the business and affairs of the Group or prospects of the market in which the Group operates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Open Offer and the Whitewash Waiver, we have considered the following principal factors and reasons:

I. Background information and prospect of the Group

The Group was principally engaged in the manufacture and sale of snap off blade cutters and electronic consumer products. The Group also engaged in business activities in properties investments. The Group has been operating at a loss since the financial year ended 31 March 2004.

The audited segmental information of revenue and results for Group's business activities for each of the two years ended 31 March 2007 are summarised as below:–

	2006	**2007**
	HK$ million	*HK$ million*
Revenue		
Snap off blade cutters and electronic consumer products	96.22	53.21
Properties investments	2.94	5.66
	99.16	58.87
Profit/(Loss) attributable to Shareholders		
Snap off blade cutters and electronic consumer products	(24.76)	(28.55)
Properties investments	(5.04)	9.93
	(29.80)	(18.62)

For each of the two financial years ended 31 March 2007, the Group recorded a revenue of approximately HK$99.16 million and HK$58.87 million respectively. Loss attributable to Shareholders for each of the two financial years ended 31 March 2007 was approximately HK$ 29.80 million and HK$18.62 million respectively.

As a continuous effort to improve the financial performance of Group, the Group has undergone a series of business transformation by disposing of the two loss making business segments namely the snap off blade cutters and electronic consumer products in March 2007 and the Group now focuses on properties investment business.

In view of the illiquid industrial property market, in the financial year ended 31 March 2007 the Group disposed of its industrial property in Panyu, the PRC, for a total cash consideration of RMB75 million (equivalent to approximately HK$76.95 million) and resulted in a gain of approximately HK$9.10 million. In September 2006, the Group also acquired the Existing Properties and a related sale loan at a total consideration of approximately HK$182.5 million, of which approximately HK$157.7 million are satisfied by the promissory notes issued in July 2007 upon the release of the relevant mortgage arrangements on Existing Properties. In July 2007, the Group also proposed to acquire three commercial properties in Shanghai from independent third parties at a consideration of approximately HK$160 million.

The net current asset of the Group as at 31 March 2007 was approximately HK$2.0 million, as compared to a net current liabilities position of approximately HK$60.8 million in the previous year. The significant improvement was attributable to the Group's effort to (ii) terminate and dispose of its two loss making operations, namely the snap off blade cutters and electronic consumer products businesses; and (ii) the two placements of new Shares for an aggregated net proceeds of approximately HK$39.54 million during the financial year ended 31 March 2007.

II. Reasons for the Open Offer and the use of proceeds

In September 2006, the Group acquired the Existing Properties and a related sale loan at a total consideration of approximately HK$182.5 million, of which approximately HK$157.7 million are satisfied by the promissory notes issued in July 2007 upon the release of the relevant mortgage arrangements on Existing Properties.

The Directors are of the view that with the recent buoyant and high liquidity equity market conditions, it is in the interests of the Company to raise equity capital to strengthen the Group's financial position and enlarge its capital base and to finance the interest bearing borrowings by equity.

The estimated net proceeds from the Open Offer will be approximately HK$207 million, which are presently intended to be applied as to approximately (i) HK$157.7 million for the repayment of the promissory notes; and (ii) HK$49.3 million for general working capital of the Group.

Repayment of promissory notes

Set out below are the principal terms of the promissory notes:

Principal amount	:	approximately HK$157.7 million
Maturity date	:	the date falling on the fifth anniversary of the date of issue

Interest	:	5% per annum and payable together with the principal amount upon maturity date
Early repayment	:	the Company may, at its option, repay the promissory notes in whole or in part prior to their maturity dates by giving a prior ten Business Day's notice to the vendor of the Existing Properties.

The early repayment of the promissory notes funded by the net proceeds from the Open Offer is effectively refinancing the Existing Properties using equity rather debt. The early repayment would save an annual interest cost of approximately HK$7.88 million as well as lower the Group's gearing through the strengthening of the Company's capital base and reduce the amount of liabilities of the Group, thereby enhancing the financial capability for further investment opportunities. Further, the early repayment of the promissory notes will not attract any penalty payment.

General working capital

With a view to expand the Group's property portfolio and enable the Group to receive a stable source of income, in July 2007, the Group proposed to acquire three commercial properties in Shanghai from independent third parties at a consideration of approximately HK$160 million to be financed principally by bank borrowings to be secured by the Existing Properties and the Subject Properties.

Now that the two business segments (namely the snap off blade cutters and electronic consumer products) mainly responsible to the losses of the Group for the past years had been disposed of in March 2007, the Group is therefore in a better position to preserve its additional working capital to be raised from the Open Offer for capturing future investment opportunities that may enhance its earnings potential.

The Group is now focusing on properties investment whose business nature demands relatively high capital requirements. The Open Offer will strengthen the capital base of the Group, lower the gearing of the Group and free up its working capital requirements, thereby facilitating the Group's bargaining position to obtain bank borrowings to finance the Acquisitions and other future potential investments.

Based on the above, we consider it important to strengthen the Group's financial position to enable it to timely seize suitable investment opportunities and the Open Offer is an appropriate means of financing for this purpose.

III. Principal terms of the Open Offer

The Company proposes to raise approximately HK$213.9 million before expenses (approximately HK$207 million net of expenses) by issuing 1,258,178,655.75 Offer Shares at a subscription price of HK$0.17 per Offer Share, payable in full on application. Qualifying Shareholders will be offered three Offer Shares for every Share held on the Record Date. The Open Offer will not be available to the Excluded Shareholders (if any). Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

When allotted and issued fully paid, Offer Shares will rank *pari passu* in all respects with the existing Shares. Holders of Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of issue of Offer Shares.

The Open Offer is fully underwritten and is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

The subscription price for Offer Shares has been determined based on arm's length negotiations between the Company and the Underwriters with reference to prevailing market prices of Shares and the fundamentals of the Group.

The Subscription Price represents:–

(i) a discount of approximately 76.1% to the closing price of HK$0.71 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 44.3% to the theoretical ex-entitlement price of HK$0.305 per Share based on the aforesaid closing price per Share;

(iii) a discount of approximately 76.4% to the average of the closing prices of the Shares for the 10 trading days ended on the Last Trading Day of approximately HK$0.72;

(iv) a discount of approximately 84% to the closing price of HK$1.07 per Share as quoted on the Stock Exchange on the last full trading day immediate preceding the Latest Practicable Date; and

(v) a premium of approximately 88.9% to the audited consolidated net tangible assets per Share of approximately HK$0.09 of the Group as at 31 March 2007; and *(a) Review on share prices and historical closing prices*

The average daily closing price, the highest closing price and the lowest closing price of the Shares as quoted on the Stock Exchange in each of the months during the period from 11 July 2006 (being the commencement of the one-year period preceding the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**") are shown as follows:

	Highest closing price *(HK$)*	**Lowest closing price** *(HK$)*	**Monthly average daily closing price** *(HK$)*
July 2006 (from 11 July 2006 onwards)[(1)]	0.210	0.190	0.200
August 2006[(1)]	0.215	0.180	0.204
September 2006[(1)]	0.275	0.211	0.238
October 2006	0.275	0.255	0.267
November 2006	0.445	0.260	0.355
December 2006[(1)]	0.445	0.375	0.407
January 2007	0.410	0.320	0.377
February 2007[(1)]	0.395	0.355	0.377
March 2007	0.580	0.370	0.465
April 2007	0.520	0.485	0.505
May 2007	0.640	0.490	0.576
June 2007	0.840	0.600	0.701
1 July 2007 to the Last Trading Day	0.740	0.710	0.727
25 July 2007 to the Latest Practicable Date[(3)]	1.610	0.930	1.221

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

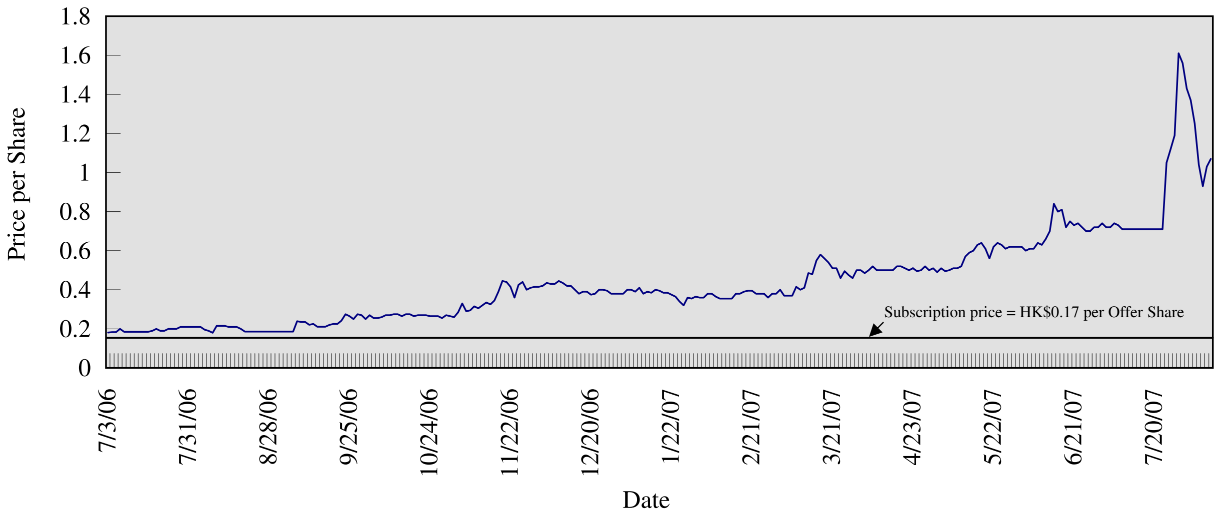
1. Trading in the Shares has been suspended from 11 July 2006 to 17 July 2006 (both days inclusive), 21 August 2006 to 5 September 2006 (both days inclusive), 1 December 2006, 8 February 2007 to 12 February 2007 (both days inclusive) and 11 July 2007 to 24 July 2007 (both days inclusive).

2. Average daily trading volume of the month was calculated excluding any days when trading of the Shares was suspended.

3. The calculation only includes the relevant closing prices of the relevant trading days having a full trading day. 10 August 2007 was not a full trading day as trading in the securities and derivatives markets of the Stock Exchange was terminated since 2:45 pm due to the hoisting of typhoon signal number 8 and therefore was not included in the calculation of the relevant stock price statistics.

The chart below shows the daily closing price of the Shares versus the Subscription Price during the Review Period:

Daily closing prices of Shares during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK$1.61 on 30 July 2007 and HK$0.18 on 8 August 2006. The Subscription Price is lower than all the monthly lowest closing price of the Share and the monthly average daily closing price of the Share during the Review Period, representing a discount of approximately 89.44% and 5.56% to such the highest and lowest prices per Share respectively.

(b) Comparison with recent open offer cases

In assessing the Subscription Price, we have attempted to compare the Open Offer with the recent open offers. Based on the information from the Stock Exchange, we have identified 26 open offers announced by other companies listed on the Stock Exchange (the "**Comparables**") from 11 July 2006 (being the commencement of the one-year period preceding the Last Trading Day) to the date of the Open Offer Announcement for comparison and analysis purpose. Details of our findings on these open offers are summarized in the table below:

Company name (stock code)	Date of announcement (dd/mm/yyyy)	Basis of allotment	Discount/(premium) of the subscription price to/(over) closing price per share on the last trading day prior to announcement in relation to the respective open offer	Discount/(premium) of the subscription price to/(over) theoretical ex-entitlement price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective open offer	Underwriting commission
Mandarin Entertainment (Holdings) Limited (9)	20/7/2007	1 for 2	50.50%	40.48%	2.5%
Theme International Holdings Limited (990)	20/7/2007	1 for 2	55.20%	45.10%	2%
Asia Commercial Holdings Limited (104)	17/7/2007	4 for 5	54%	24%	2%
GZI Transport Limited (1052)	29/6/2007	1 for 2	31.05%	23.09%	1.75%
Kenfair International (Holdings) Limited (223)	27/6/2007	1 for 2	89.13%	84.54%	2.50%
China Investment Fund Company Limited (612)	13/6/2007	1 for 2	88.51%	83.71%	1.00%
China Aerospace International Holdings Limited (31)	6/6/2007	1 for 5	51.08%	46.42%	2.25%
Shun Cheong Holdings Limited (650)	5/6/2007	1 for 2	51.22%	41.18%	1.00%

Company name (stock code)	Date of announcement (dd/mm/yyyy)	Basis of allotment	Discount/(premium) of the subscription price to/(over) closing price per share on the last trading day prior to announcement in relation to the respective open offer	Discount/(premium) of the subscription price to/(over) theoretical ex-entitlement price per share based on the closing price of shares on the last trading day prior to announcement in relation to the respective open offer	Underwriting commission
Prosticks International Holdings Limited (8055)	4/6/2007	2 for 5	54.55%	46.09%	2.50%
Prosperity Investment Holdings Limited (310)	14/5/2007	1 for 2	55.74%	45.56%	1.50%
Panva Gas Holdings Limited (1083)	11/5/2007	1 for 10	5.20%	4.80%	Not disclosed *(Note 1)*
Fortuna International Holdings Limited (530)	9/5/2007	2 for 1	72.31%	46.53%	2.00%
Grandtop International Holdings Limited (2309)	23/4/2007	1 for 2	28.57%	20.95%	2.00%
CASIL Telecommunications Holdings Limited (1185)	2/4/2007	4 for 10	55.13%	46.97%	3.00%
Massive Resources International Corporation Limited (70)	9/2/2007	1 for 2	9.09%	6.10%	2.50%
Union Bridge Holdings Limited (8047)	16/1/2007	1 for 2	76.00%	67.86%	2.50%
Climax International Company Limited (439)	9/1/2007	5 for 6	23.08%	16.67%	2.50%
Hua Xia Healthcare Holdings Limited (8143)	14/12/2006	1 for 2	67.35%	57.89%	2.50%
Sunlink International Holdings Limited (2336)	7/12/2006	1 for 5 (with 8 bonus shares for 1 paid offer share)	85.20%	67.30%	2.50%

Company name (stock code)	Date of announcement (dd/mm/yyyy)	Basis of allotment	Discount/(premium) of the subscription price to/(over) closing price per share on the last trading day prior to announcement in relation to the respective open offer	Discount/(premium) of the subscription price to/(over) theoretical ex-entitlement price per share based on the closing price of shares on the last trading day prior to announcement in relation to the respective open offer	Underwriting commission
Daqing Petroleum and Chemical Group Limited (362)	23/11/2006	1 for 2	27.71%	11.24%	2.50%
Shanghai Donghua Petrochemical Co. Ltd (8251)	25/10/2006	3.65 for 10	26.67%	21.04% *(Note 2)*	2.00%
Cosmopolitan International Holdings Ltd (120)	4/10/2006	2 for 1	41.86%	19.35%	2.50%
Tak Shun Technology Group Limited (1228)	12/9/2006	2 for 5	66.67%	58.68%	2.00%
Chinney Alliance Group Limited (385)	21/8/2006	3 for 2	(4.20)%	(1.60)%	2.00%
Xin Corporation Limited (1141)	17/8/2006	3 for 1	42.60%	15.50%	2.50%
Greaterchina Technology Group Limited (8032)	13/7/2006	3 for 2	66.67%	66.67%	2.50%
Mean			51.00% *(Note 3)*	40.31% *(Note 3)*	2.18%
Median			54.00% *(Note 3)*	45.10% *(Note 3)*	2.50%
Minimum			5.20% *(Note 3)*	4.80% *(Note 3)*	1.00%
Maximum			89.13% *(Note 3)*	84.54% *(Note 3)*	3.00%
Mode					2.50%
the Company	**24/7/2007**	**3 for 1**	**76.10%**	**44.30%**	**2.50%**

Notes:

1. The underwriting commission rate was not disclosed in the announcement or the prospectus in relation to the open offer.

2. Calculated based on the following formula:

   (number of shares held x closing price on the last trading day prior to the announcement + number of offer shares for every share held x the subscription price)/(number of shares held+ number of offer shares for every existing share held)

3. Excluding the premium in the case of Chinney Alliance Group Limited which is considered an outlier and may distort the average.

It is noted that 25 out of a total of 26 Comparables had priced an open offer at a discount to both the closing share prices on the last trading day prior to the respective open offer announcement and to the theoretical ex-entitlement prices of the shares based on the closing price of shares on the last trading day prior to the respective open offer announcement. If excluding the only case in which the open offer was priced at a premium, the subscription prices per share of the Comparables ranged from a discount of approximately 5.2% to 89.13% to the closing share prices on the last trading day prior to the respective open offer announcement, with an average discount of approximately 51.00%. On the other hand, the subscription prices per share of the Comparables ranged from a discount of approximately 4.80% to approximately 84.54% to the theoretical ex-entitlement prices based on the closing price on the last trading day prior to the respective open offer announcement, with an average discount of approximately 40.31%. In the case of the Company, the discount of approximately of 76.1% of the Subscription Price to the closing price per Share on the Last Trading Day falls within the relevant range of the Comparables and is greater than their average discount of approximately 51.00%. Similarly, the discount of approximately 44.30% represented by the Subscription Price to the theoretical ex-entitlement price on the Last Trading Day falls within the relevant range of the Comparables and is close to the average discount of approximately 40.31%.

Having considered the subscription prices of the Comparables, we are of the view that the respective discounts as represented by the Subscription Price to the closing price and the theoretical ex-entitlement price of the Shares as at the Last Trading Day are at a level in line with the market. In view of the foregoing and having considered (i) the subscription price for the Open Offer was determined after arm's length negotiations between the Company and the Underwriters; and (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same discount to maintain their respective shareholdings in the Company, we concur with the Directors that the discounts of the Subscription Price as compared to the recent market prices would encourage Shareholders to participate in the Open Offer and the future growth of the Company and that the Subscription Price is fair and reasonable insofar as the Independent Shareholders are concerned.

IV. Alternative to the Open Offer

The Directors advised that they have considered alternative means for the Group to raise funds other than the Open Offer, including but not limited to, debt financing and placing of new shares. Majority of the net proceeds from the Open Offer is intended for the repayment of the outstanding interest-bearing promissory notes of approximately HK$157.7 million. Given that (i) the audited net current assets of the Group as at 31 March 2007 of approximately HK$2 million; (ii) cash and cash equivalent position of approximately HK$5.8 million as at 31 March 2007; and (iii) the Existing Properties, which accounted for substantial portion of the non current assets of the Group of approximately HK$259.67 million as at 31 March 2007, has been pledged to serve as the collateral for raising new mortgage loans to partially finance the Acquisitions, should the Company seek to finance its repayment by the bank borrowings or other forms of debt financing, it may takes longer time for the Group to negotiate with the banks and the terms of which may be less favourable than those of the promissory notes. In addition, financing by bank borrowings or other forms of debt financing are not effective means to reduce the Group's gearing. In view of the current financial position of the Group, the Directors consider that it is prudent to finance the repayment of the promissory notes by way of equity rather than debt.

The Company has also considered the possibility of fund raising by way of share placement as an alternative to the Open Offer. However, unlike the Open Offer which provides all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and at the same time allow them to maintain their proportionate interests in the Company, a share placement would involve an issue of new shares and result in a dilution of existing shareholders' interest. Accordingly, the Directors do not consider a share placement to be a desirable alternative to the Open Offer.

Having considered the existing position of the Group and that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same discount to maintain their respective shareholdings in the Company, we consider that the Open Offer is an equitable means to raise capital for the Group under the current circumstances.

V. Potential dilution effect on the shareholding interests of the Independent Shareholders

All Qualifying Shareholders are entitled to subscribe for the Offer Shares. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged upon completion of the Open Offer. For those Qualifying Shareholders who do not exercise their rights to subscribe for the Offer Shares in full, depending on the extent to which they take up their entitlements, their shareholding interests will be diluted up to a maximum of approximately 75%.

VI. Financial effects of the Open Offer

(a) Net tangible asset

As stated in the "Statement of unaudited pro forma adjusted consolidated net tangible assets of the Group for the Open Offer" in Appendix III to the Circular, the audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 March 2007 were approximately HK$35.94 million. Based on the 419,392,885 Shares in issue, the audited consolidated net tangible assets of the Group per Share as at 31 March 2007 was approximately HK$0.09. Immediately upon completion of the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets of the Group would increase to approximately HK$242.98 million and the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would increase to approximately HK$0.14 (based on the 1,677,571,541 Shares in issue immediately upon the completion of the Open Offer).

(b) Liquidity

As stated in annual report of the Company for the financial year ended 31 March 2007, the cash and cash equivalents of the Group as at 31 March 2007 were approximately HK$5.80 million. Immediately upon the completion of the Open Offer, the Company can raise net proceeds of approximately HK$207 million, of which approximately HK$49.3 million is expected to be applied as the general working capital of the Group. On the above basis, the cash position and the net current assets position are expected to be increased by HK$49.3 million, and the current ratio (defined as the current assets divided by the current liabilities) of the Group are expected to be improved from 1.34 to 9.68 immediately upon completion of the Open Offer and full repayment of the promissory notes, a non-current liability of the Group, with the net proceeds from the Open Offer.

(c) Earnings

Upon the full repayment of the promissory notes of approximately HK$157.7 million with net proceeds from the Open Offer, the Group can save an interest cost of approximately HK$ 7.88 million per annum.

(d) Gearing ratio

Based on the indebtedness statement as set out in the Appendix I to the Circular, the Group has no external borrowings as at 30 June 2007. However, the Company has issued the promissory notes of approximately HK$157.7 million for the partial repayment of the consideration for the Existing Properties and the Group had obtained secured bank borrowings of RMB100 million (equivalent to approximately HK$102.6 million) in July 2007. Immediately upon completion of the Open Offer, approximately HK$157.7 million out of the total net proceeds of the Open Offer is intended to be used for the repayment of the promissory notes in full. Assuming that (i) the Group had not incurred any other indebtedness in the period from July 2007 and up to completion of the Open Offer; and (ii) the Group will repay the promissory notes in full immediately upon completion of the Open Offer, the gearing ratio (being the total interest bearing indebtedness as divided by the total equity) of the Group will be reduced from 7.24 to 0.42.

VII. Underwriting arrangement

The Open Offer is fully underwritten by Profit Key and VC Brokerage and is subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Underwriting Agreement, Profit Key shall subscribe for, or procure subscription of, up to 629,089,327.75 Underwritten Shares not being taken up before VC Brokerage is required to subscribe for any Underwritten Shares. If there remains any Underwritten Shares not being taken up after Profit Key's subscription or procurement of subscription in full, VC Brokerage shall subscribe for, or procure subscription of, the remaining Underwritten Shares not being taken up.

Pursuant to the Underwriting Agreement, the Company will pay the Underwriters an underwriting commission of 2.5% of the aggregate Subscription Price of the number of Offer Shares underwritten by the Underwriters. Based on our review of the underwriting arrangements of the Comparables, we have noticed that the underwriting commission rates paid by the listed companies ranged from 1% to 3%, with a median of 2.5%. Although the average commission rate of the Comparables is about 2.18%, it was most common among the Comparables to pay an underwriting commission rate of 2.5%. Accordingly, we consider that the underwriting commission of 2.5% in the present case is on normal commercial terms and is in line with the market practice.

VIII. Absence of arrangements for application for excess Offer Shares

In order to lower administrative cost, the Directors have made no arrangement for application for excess Offer Shares by the Qualifying Shareholders under the Open Offer. Hence, if the Qualifying Shareholders do not participate in the Open Offer by not taking up the Open Offer Shares to which they are entitled, the Underwriters would take up the shortfall of the Underwritten Shares at the Subscription Price, which is at a substantial discount to the recent market price of the Shares. As a result, the interest of these Qualifying Shareholders who do not take up the Offer Shares in full in the Company will be diluted significantly.

Given the net proceeds to be raised from the Open Offer of approximately HK$207 million, the relative amount of administrative cost that would be incurred for an excess application arrangement is considered minimal. We therefore consider that the absence of an arrangement for application for excess Offer Shares would be less attractive to those Qualifying Shareholders who wish to take advantage of such the arrangement to increase their shareholding in the Company.

Given the terms of the Open Offer are structured with an intention to encourage the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares, therefore it is reasonable to expect that a majority of the Qualifying Shareholders will apply and pay for their respective assured allotment of the Offer Shares in full to maintain their existing shareholdings in the Company and accordingly, the number of Offer Shares available for an excess application arrangement are expected to be minimal. Accordingly, the absence of an excess application arrangement may not be considered material detrimental to the Qualifying Shareholders.

In the event that the subscription level for the Offer Shares by the Qualifying Shareholders is less than expected, any subscription shortfall will be first taken up by Profit Key as one of the Underwriters pursuant to the terms of the Underwriting Agreement. In the event that Profit Key is required to fulfill its underwriting commitment under the Underwriting Agreement in full to subscribe for all the 629,089,327.75 Offer Shares, Profit Key and parties acting in concert with it will become the controlling Shareholder (as defined in Listing Rules) immediately upon the completion of the Open Offer. As at the Latest Practicable Date, none of the Directors (including Mr. Zhao) holds any Shares. We consider that it is beneficial for the Company if Mr. Zhao, an executive Director and chairman of the Company, as a key senior management can have a meaningful interest in the Company through Profit Key acting as an Underwriter. This is because this demonstrates Mr. Zhao's commitment to the Company and his confidence in the prospects of the Group.

IX. Whitewash Waiver

As at the date of the Underwriting Agreement, Profit Key and parties acting in concert with it were interested in 58,000,000 Shares, representing approximately 13.83% of the issued share capital of the Company. In the event that Profit Key is required to fulfill its underwriting commitment under the Underwriting Agreement in full to subscribe for all the 629,089,327.75 Offer Shares, Profit Key and parties acting in concert with it will become interested in a total of (i) 687,089,327.75 Shares, representing approximately 40.96% of the issued share capital of the Company as enlarged by the Open Offer if Ms. Pan does not take up her assured entitlements under the Open Offer according to her intention as at the Latest Practicable Date; (ii) 861,089,327.75 Shares, representing approximately 51.33% of the issued share capital of the Company as enlarged by the Open Offer should Ms. Pan take up her assured entitlements under the Open Offer. In either case, Profit Key and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code accordingly. An application has been made to the Executive by Profit Key for the Whitewash Waiver under Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of a poll at the SGM, it will grant the Whitewash Waiver. As stated in the Letter from the Board, the Open Offer and the Underwriting Agreement are inter-conditional and that it is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained.

Based on our analysis of the terms of the Open Offer, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the completion of the Open Offer. Accordingly, we are of the view that for the purposes of implementing the Open Offer, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

(i) the net proceeds from the Open Offer can strengthen the Group's capital base, enhance the working capital and financial position of the Group and facilitating the Group's bargaining position to obtain bank borrowings to finance the Acquisitions and other future potential investment opportunities;

(ii) the Open Offer would fund the repayment of the promissory notes in full and thereby saving an annual interest cost of approximately HK$7.88 million;

(iii) in view of the subscription prices under those open offers announced recently by other listed companies on the Stock Exchange (including GEM), the respective discounts as represented by the Subscription Price to the closing price and the theoretical ex-entitlement closing price of the Shares as at the Last Trading Day are at a level in line with the market;

(iv) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and that the Open Offer is an equitable means to raise capital for the Group under the circumstances;

(v) the series of business transformation in the financial year ended 31 March 2007 in which the Group had terminated and disposed of its loss making business segments enables the Group in a better position to preserve its additional working capital to be raised from the Open Offer for capturing future investment opportunities that may enhance its earnings potential;

(vi) it is beneficial for the Company if Mr. Zhao, an executive Director and chairman of the Company, as a key senior management can have a meaningful interest in the Company through Profit Key acting as an Underwriter. This is because this demonstrates Mr. Zhao's commitment to the Company and his confidence in the prospects of the Group; and

(vii) if the Whitewash Waiver is not approved by the Independent Shareholders, the Open Offer will not proceed and the Company will lose all the benefits as mentioned in (i) and (ii) above that are expected to be brought about by the completion of the Open Offer.

we consider that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interests of the Group and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Oriental Patron Asia Limited

Jeffrey Chan	**Ivan Tong**
Director	*Associate Director*

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group as extracted from the relevant annual reports of the Company is set out below:

RESULTS

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	33,477	2,941	70,084
Profit/(Loss) before taxation	14,664	(5,042)	(19,126)
Taxation	(4,729)	–	(511)
Profit/(Loss) for the year from continuing operations	9,935	(5,042)	–
Loss for the year from discontinued operations	(28,551)	(24,761)	–
Net loss for the year	(18,616)	(29,803)	(19,637)
Dividends	–	–	–
Loss per share	HK5.10 cent	HK10.80 cent	HK0.41 cents
Dividend per share	–	–	–

ASSETS AND LIABILITIES

	As at 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	267,628	100,297	129,595
Total liabilities	(231,688)	(85,967)	(89,152)
Shareholders' funds	35,940	14,330	127,812

The Company did not have any extra-ordinary items, exceptional items and minority interest for the financial years ended 31 March 2005, 2006 and 2007. There is also no qualification opinion issued during the same period.

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

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

"**CONSOLIDATED INCOME STATEMENT**
For the Year ended 31 March 2007

	Note	2007 HK$	2006 HK$ (restated)
Continuing operations			
Turnover	7	5,658,580	2,938,429
Other revenue	7	27,817,945	2,654
Administrative expenses		(18,808,380)	(7,976,584)
Other operating expenses		(4,680)	(6,375)
Profit/(loss) from operations	9	14,663,465	(5,041,876)
Finance costs	10	–	(146)
Profit/(loss) before taxation		14,663,465	(5,042,022)
Income tax	13	(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	8	(28,551,269)	(24,761,000)
Loss for the year		(18,616,044)	(29,803,022)
Attributable to:			
Equity shareholders of the Company	14	(18,616,044)	(29,803,022)
Earnings/(loss) per share	15		
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

CONSOLIDATED BALANCE SHEET
As at 31 March 2007

	Note	**2007** *HK$*	**2006** *HK$*
Non-current assets			
Property, plant and equipment	16	886,616	31,172,423
Investment properties	17	258,784,000	41,021,222
Interests in leasehold land held for own use under operating leases	18	–	4,351,938
Interests in associates	20	–	–
Deferred tax assets	31	–	5,724
		259,670,616	76,551,307
Current assets			
Inventories	21	–	12,073,678
Trade and bills receivables	22	–	8,139,100
Other receivables, deposits and prepayments		2,155,325	2,722,882
Pledged deposits	23	–	500,000
Cash and cash equivalents	23	5,801,798	310,189
		7,957,123	23,745,849
Current liabilities			
Trade payables	24	–	12,622,220
Other payables and accruals		5,462,168	11,695,737
Due to directors	25	35,102	3,135,539
Due to a related party	26	–	13,941,893
Obligations under finance leases	28	–	742,961
Bank overdrafts and interest-bearing borrowings	29	–	40,603,814
Tax payable	30	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

	Note	2007 HK$	2006 HK$
Non-current liabilities			
Bank overdrafts and interest-bearing borrowings	29	–	1,270,754
Obligations under finance leases	28	–	188,174
Other payable	27	2,751,624	–
Long term payable	35(c)	162,504,072	–
Deferred tax liabilities	31	60,515,002	–
		225,770,698	1,458,928
NET ASSETS		35,940,152	14,329,780
CAPITAL AND RESERVES			
Share capital	32	83,878,577	58,299,577
Reserves	34	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2007

	Share capital	Share premium	Buildings revaluation reserve	Special reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2005	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 expense	–	(66,462)	–	–	–	–	(66,462)
Share consolidation expense	–	(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)
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
At 1 April 2006	58,299,577	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780
Issue of new shares	25,579,000	14,321,100	–	–	–	–	39,900,100
Share issuance expense	–	(153,465)	–	–	–	–	(153,465)
Exchange realignment	–	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of investment properties	–	–	115,902	–	–	–	115,902
Disposal of buildings held for own use	–	–	(662,298)	–	–	662,298	–
Disposal of foreign operations	–	–	–	–	457,315	–	457,315
Loss for the year	–	–		–	–	(18,616,044)	(18,616,044)
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	(93,436)	(77,603,262)	35,940,152
Reserves retained by the Company and subsidiaries							
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	(93,436)	(77,603,262)	35,940,152
At 31 March 2006	58,299,577	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780

CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 March 2007

	Note	2007 *HK$*	2006 *HK$* (restated)
Operating activities			
Profit/(loss) before taxation			
From continuing operations		14,663,465	(5,042,022)
From discontinued operations		(28,551,269)	(24,653,252)
Adjustments for:			
Amortisation of land lease premium		74,070	114,359
Finance costs		1,927,130	2,387,099
Interest income on bank deposits		(173,067)	(16,603)
Depreciation		1,373,552	3,204,900
Gain on disposal of property, plant and equipment		(9,089,307)	–
Fair value adjustments of investment properties		(15,145,560)	(205,212)
Surplus on revaluation of buildings		(100,000)	(828,679)
Negative goodwill	35(a)	(3,405,803)	–
Gain on disposal of subsidiaries	35(b)	(2,440,813)	–
Write-off of plant and equipment		5,507,581	–
Impairment loss on slow-moving and obsolete inventories		5,191,601	53,265
Write back on due from associates		–	(770,825)
Foreign exchange (gain)/loss, net		(118,266)	271,998
Operating loss before changes in working capital		(30,286,686)	(25,484,972)
Decrease in inventories		1,837,320	8,342,661
(Increase)/decrease in trade and bills receivables		(1,857,767)	2,250,360
Decrease in other receivables, deposits and prepayment		1,208,499	1,535,722
(Decrease)/increase in trade payables		(4,435,945)	1,538,820
(Decrease)/increase in other payables and accruals		(2,854,437)	1,220,381
Decrease in due to associates		–	(884,580)
Decrease in due to directors		(1,422,743)	(1,070,790)
Cash used in operations		(37,811,759)	(12,552,398)
Tax paid		(294,213)	(21,268)
Net cash used in operating activities		(38,105,972)	(12,573,666)

	Note	2007 HK$	2006 HK$ (restated)
Investing activities			
Purchase of plant and equipment		(672,507)	(3,228,086)
Interest received		173,067	16,603
Cash outflow from acquisition of subsidiaries	35(a)	(17,215,220)	–
Cash outflow from disposal of subsidiaries	35(b)	(1,302,167)	–
Net proceeds from disposal of investment properties		73,529,412	–
Increase in pledged deposits		(1,000,000)	–
Net cash generated from/(used in) investing activities		53,512,585	(3,211,483)
Financing activities			
Proceeds from issue of shares		39,900,100	12,480,000
Inception of bank loans		–	23,335,602
Repayment of bank loans		(32,558,256)	(21,821,872)
Inception of finance leases		–	1,615,000
Capital element of finance lease rentals paid		(667,789)	(922,957)
Interest element of finance lease rentals paid		(52,653)	(71,231)
Interest paid		(1,874,477)	(2,315,868)
Share issuance expense		(153,465)	(199,311)
Repayment to a related party		(13,882,280)	(328,654)
Net cash (used in)/generated from financing activities		(9,288,820)	11,770,709
Net increase/(decrease) in cash and cash equivalents		6,117,793	(4,014,440)
Cash and cash equivalents, at beginning of year		(315,995)	3,698,445
Cash and cash equivalents, at end of year		5,801,798	(315,995)
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	23	5,801,798	310,189
Secured bank overdrafts	29	–	(626,184)
		5,801,798	(315,995)

BALANCE SHEET
As at 31 March 2007

	Note	2007 HK$	2006 HK$
Non-current assets			
Plant and equipment	16	3,109	6,390
Interests in subsidiaries	19	183,681,072	62,887,652
		183,684,181	62,894,042
Current assets			
Other receivables, deposits and prepayments		1,651	–
Cash and cash equivalents	23	2,393,424	6,389
		2,395,075	6,389
Current liabilities			
Other payables and accruals		1,525,425	1,372,747
Due to directors	25	35,102	3,135,539
Due to a related party	26	–	13,505,000
		1,560,527	18,013,286
Net current assets/(liabilities)		834,548	(18,006,897)
Total assets less current liabilities		184,518,729	44,887,145
Non current liabilities			
Long term payable	35(c)	162,504,072	–
NET ASSETS		22,014,657	44,887,145
CAPITAL AND RESERVES			
Share capital	32	83,878,577	58,299,577
Reserves	34	(61,863,920)	(13,412,432)
TOTAL EQUITY		22,014,657	44,887,145

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2007

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. STATEMENT OF COMPLIANCE

These 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 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 the 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 (see note 44). 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;
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market -Waste Electrical and Electronic Equipment; and
- HK(IFRIC)-Int 7 – Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyper inflationary Economies.

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. Subsequently, they are measured 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's balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2007 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 that investment property 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 5.

b) BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

c) SUBSIDIARIES AND MINORITY INTERESTS

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a 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 unrealised profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet 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 recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(i)).

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.

Unrealised 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 unrealised 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. 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)).

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 equipment	20%
–	Motor vehicles	20% - 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 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(p)(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.

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 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

i) Impairment of other receivables

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other 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 to determine 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).

– 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 (see note 3 (i)).

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.

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 the amount initially recognised and redemption value being recognised in income statement over the period of the borrowings together with any interest and fees payable using the effective interest method.

o) **INCOME TAX**

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 utilised.

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.

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) 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 as it accrues using the effective interest method.

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.

q) 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 profit or loss on disposal.

r) 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.

s) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

t) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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.

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 income statement 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.

w) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk, credit risk and liquidity risk).

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 Euro, 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 United States Dollars 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.

5. **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.

Property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

6. **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 properties 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: Properties investment HK$	Continuing operations: Total HK$	Discontinued operations: Snap off blade cutters HK$	Discontinued operations: Electronic consumer products HK$	Discontinued operations: 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: Properties investment HK$	Continuing operations: Total HK$	Discontinued operations: Snap off blade cutters HK$	Discontinued operations: Electronic consumer products HK$	Discontinued operations: 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)

	For the year ended 31 March 2007			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	265,229,553	–	–	265,229,553
Unallocated corporate assets				2,398,186
Consolidated total assets				267,627,739
Segment liabilities	67,769,249	–	–	67,769,249
Unallocated corporate liabilities				163,918,338
Consolidated total liabilities				231,687,587
Other segment information:				
Capital expenditure	499,735	162,970	9,802	672,507
Depreciation	208,668	526,111	635,492	1,370,271
Unallocated depreciation				3,281
				1,373,552
Write off of plant and equipment	–	–	5,507,581	5,507,581
Impairment loss on slow-moving and obsolete inventories	–	–	5,191,601	5,191,601
Revaluation surplus of buildings recognised directly in the income statements	–	100,000	–	100,000
Fair value adjustments of investment properties recognised directly in the income statement	15,145,560	–	–	15,145,560

	For the year ended 31 March 2006			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	41,021,222	22,114,143	37,144,572	100,279,937
Unallocated corporate assets				17,219
Consolidated total assets				100,297,156
Segment liabilities	–	10,298,544	12,639,954	22,938,498
Unallocated corporate liabilities				63,028,878
Consolidated total liabilities				85,967,376
Other segment information:				
Capital expenditure	–	291,695	2,936,391	3,228,086
Depreciation	–	604,141	2,572,767	3,176,908
Unallocated depreciation				27,992
				3,204,900
Impairment loss on slow-moving and obsolete inventories	–	–	53,265	53,265
Fair value adjustments of investment properties recognised directly in the income statement	–	–	205,212	205,212
Revaluation surplus of buildings recognised directly in the income statement	–	250,083	–	250,083
Revaluation surplus of buildings directly in equity	–	578,596	–	578,596

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 and Canada etc*

7. 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 *HK$*	**2006** *HK$*	**2007** *HK$*	**2006** *HK$*	**2007** *HK$*	**2006** *HK$*
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 *(note 35(a))*	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

8. 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, the ex-director of the Company, for a consideration of HK$2. The sale loan represents the shareholder loan as at 31 March 2007 after netting off of the amount of inter-company balance capitalised (note 35(b)(ii)).

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	2006
	HK$	*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

9. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations was arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Auditors' remuneration	426,100	317,184	–	–	426,100	317,184
Cost of inventories	–	–	52,863,856	103,367,006	52,863,856	103,367,006
Staff costs (including directors' remuneration)						
– Wages and salaries	9,851,815	–	7,936,595	21,330,217	17,788,410	21,330,217
– Pensions scheme contribution	55,080	–	840,789	329,865	895,869	329,865
	9,906,895	–	8,777,384	21,660,082	18,684,279	21,660,082
Depreciation						
– Owned assets	211,949	27,992	1,161,603	3,013,775	1,373,552	3,041,767
– Assets held under finance leases	–	–	–	163,133	–	163,133
Amortisation of land lease premium	–	–	74,070	114,359	74,070	114,359
Exchange (gain)/loss, net	101	–	(450,752)	259,797	(450,651)	259,797
Minimum lease payments under operating leases for motor vehicles	–	–	197,500	474,000	197,500	474,000
Write off of plant and equipment	–	–	5,507,581*	–	5,507,581	–
Impairment loss on slow-moving and obsolete inventories	–	–	5,191,601*	53,265	5,191,601	53,265
Fair value adjustments of investment properties *(note 17)*	(15,145,560)	(205,212)	–	–	(15,145,560)	(205,212)

* In June 2006, the Group terminated the operations of electronic consumer products due to continuously under performance. Write off of plant and equipment and impairment loss on inventories relating to this operations were recognised in the income statement accordingly.

10. FINANCE COSTS

	Continuing operations		Discontinued Operations		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	–	146	1,874,477	2,233,636	1,874,477	2,233,782
Interest expenses on bank loans wholly repayable after five years	–	–	–	82,086	–	82,086
Finance charges on obligations under finance leases	–	–	52,653	71,231	52,653	71,231
	–	146	1,927,130	2,386,953	1,927,130	2,387,099

11. DIRECTORS' REMUNERATION

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

	2007				
	Fees *HK$*	**Salaries and other benefits** *HK$*	**Compensation for loss of office** *HK$*	**Retirement scheme contributions** *HK$*	**Total** *HK$*
Executive directors					
Chong Sing Yuen (resigned on 7 January 2007)	–	11,543,956	–	15,000	11,558,956
Zhao Qing Ji (appointed on 30 November 2006)	–	248,207	–	4,103	252,310
Lu Xiao Dong (appointed on 12 May 2006)	–	156,452	–	7,823	164,275
Au Tat On (appointed on 12 May 2006)	–	141,452	–	7,073	148,525
Wong Siu Keung, Joe	–	534,258	–	12,688	546,946
Chong Chun Kwok, Piggy (resigned on 12 May 2006)	–	66,998	–	2,443	69,441
Chong Chun Hing (resigned on 12 May 2006)	–	–	–	–	–
Chu Kiu Fat (resigned on 20 April 2006)	–	–	–	–	–
	–	12,691,323	–	49,130	12,740,453
Independent non-executive directors					
Chan Ping Yim (resigned on 26 May 2006)	1,774	–	–	–	1,774
Yeung King Wah (appointed on 26 May 2006)	107,963	–	–	–	107,963
Cheng Kwok Hing, Andy	30,000	–	–	–	30,000
Yeung Yuen Hei	60,000	–	–	–	60,000
	199,737	–	–	–	199,737
Total	199,737	12,691,323	–	49,130	12,940,190

	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 (resigned on 18 August 2005)	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

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2006: two) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other three (2006: three) individuals are as follows:

	2007	2006
	HK$	*HK$*
Salaries, allowances and benefits in kind	1,664,822	2,240,142
Retirement scheme contributions	29,000	47,880
	1,693,822	2,288,022

The remuneration of the three (2006: three) individuals with highest emoluments are within the following bands:

	Number of individuals	
	2007	2006
HK$Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	1	1
	3	3

13. 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	**2006**
	HK$	*HK$*
Current tax		
Hong Kong	–	(12,317)
Mainland China	–	120,065
	–	107,748
Deferred tax *(note 31)*	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

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

The Group

	2007	**2006**
	HK$	*HK$*
Loss before taxation	(13,887,804)	(29,695,274)
Notional tax on loss before taxation, calculated at the tax rate applicable to profits in the countries concerned	(1,052,031)	(4,939,527)
Tax effect of non-taxable income	(375,221)	(711,847)
Tax effect of non-deductible expenses	981,468	1,013,574
Tax effect of unused tax losses not recognised	5,173,504	4,783,548
Others	520	(38,000)
Actual 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

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK$62,619,123 (2006: HK$13,957,662) which has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

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

	2007	**2006**
	HK$	*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.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use 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 2005	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
At 1 April 2006	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
Acquisition of subsidiaries	–	35,720	–	208,761	352,360	596,841
Surplus on revaluation	100,000	–	–	–	–	100,000
Disposal of subsidiaries	(1,720,000)	–	(10,841,943)	(619,066)	–	(13,181,009)
Additions	–	–	172,772	17,798	481,937	672,507
Transfer to investment properties	(1,048,000)	–	–	–	–	(1,048,000)
Disposal	(21,600,000)	–	–	–	–	(21,600,000)
Write-off	–	(8,272,342)	(26,938,471)	(10,034,278)	(1,335,596)	(46,580,687)
Exchange realignment	–	9,615	768,547	–	13,503	791,665
At 31 March 2007	–	530,885	–	362,121	907,100	1,800,106
Analysis of cost or revaluation						
At cost	–	530,885	–	362,121	907,100	1,800,106
At valuation	–	–	–	–	–	–
	–	530,885	–	362,121	907,100	1,800,106

	Buildings held for own use 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 2005	–	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
Write 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
At 1 April 2006	–	6,520,614	32,270,623	10,690,233	1,394,896	50,876,366
Charge for the year	–	211,695	861,811	109,556	190,490	1,373,552
Write-off	–	(6,246,479)	(23,413,596)	(10,077,436)	(1,335,595)	(41,073,106)
Disposal of subsidiaries	–	–	(10,462,557)	(567,602)	–	(11,030,159)
Exchange realignment	–	9,615	743,719	–	13,503	766,837
At 31 March 2007	–	495,445	–	154,751	263,294	913,490
Net book value						
At 31 March 2007	–	35,440	–	207,370	643,806	886,616
At 31 March 2006	24,268,000	2,237,278	4,568,472	98,673	–	31,172,423

a) The net book value of plant and machinery held under finance leases of the Group as at 31 March 2007 was HK$Nil (2006: HK$1,459,408).

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

	Notes	Hong Kong 2007 HK$	Hong Kong 2006 HK$ (restated)	Mainland China 2007 HK$	Mainland China 2006 HK$ (restated)	Total 2007 HK$	Total 2006 HK$ (restated)
Long leases	(i)	–	2,668,000	–	–	–	2,668,000
Medium-term leases	(ii)	–	–	–	21,600,000	–	21,600,000
		–	2,668,000	–	21,600,000	–	24,268,000
Representing: Buildings carried at fair value		–	2,668,000	–	21,600,000	–	24,268,000

Notes:

i) These buildings held for own use were valued on a market basis by reference to comparable market transactions, 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.

During the financial year 2007, a building held for own use with carrying value of HK$1,048,000 were transferred to investment properties due to the building was leased out to third party to earn rental income under operating lease.

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

The Company

	Furniture and equipment
	HK$
Cost	
At 1 April 2005	139,962
Additions	–
At 31 March 2006	139,962
Additions	–
At 31 March 2007	139,962
Accumulated depreciation	
At 1 April 2005	105,580
Charge for the year	27,992
At 31 March 2006	133,572
Charge for the year	3,281
At 31 March 2007	136,853
Net book value	
At 31 March 2007	3,109
At 31 March 2006	6,390

17. **INVESTMENT PROPERTIES**

The Group

	HK$
Valuation:	
At 31 March 2005	40,816,010
Surplus on revaluation	205,212
At 31 March 2006	41,021,222
Transfer from property, plant and equipment and interests in leasehold land held of own use under operating leases	2,022,440
Acquired on acquisition of subsidiaries	244,456,000
Disposals	(41,021,222)
Disposal of subsidiaries	(2,840,000)
Surplus on revaluation	15,145,560
At 31 March 2007	258,784,000

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

The Group's investment properties were revalued on 31 March 2007 on a market basis by reference to comparable market transactions, based on their existing use, by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers with recent experience in the location and category of property being valued. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31 March 2007, the Group's investment properties with value of HK$258,784,000 were pledged to secure general banking facilities granted to Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd, all are independent third parties to the Group (note 37).

At 31 March 2006, the Group's investment properties with a value of HK$41,021,222 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 2005	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
At 1 April 2006	3,008,554	2,562,333	5,570,887
Disposals	–	(2,562,333)	(2,562,333)
Disposal of subsidiaries	(1,826,784)	–	(1,826,784)
Transfer to investment properties	(1,181,770)	–	(1,181,770)
At 31 March 2007	–	–	–
Amortisation			
At 1 April 2005	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
At 1 April 2006	502,239	716,710	1,218,949
Charge for the year	47,330	26,740	74,070
Disposals	–	(743,450)	(743,450)
Disposal of subsidiaries	(342,239)	–	(342,239)
Transfer to investment properties	(207,330)	–	(207,330)
At 31 March 2007	–	–	–
Net book value			
At 31 March 2007	–	–	–
At 31 March 2006	2,506,315	1,845,623	4,351,938

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

During the financial year 2007, interests on leasehold land held for own use under operating leases with carrying value of HK$974,440 were transferred to investment properties.

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 was pledged to a bank to secure a banking facility granted to the Group.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$	*HK$*
Unlisted shares, at cost	145,741,008	35,741,016
Due from subsidiaries	75,233,472	64,215,944
Due to subsidiaries	–	(1,328,292)
	220,974,480	98,628,668
Less: Impairment losses	(37,293,408)	(35,741,016)
	183,681,072	62,887,652

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

Impairment losses on interests in subsidiaries are recognised as the carrying amount are greater than the recoverable amount in assessing the value in use.

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
Luck Grow Group Limited	The British Virgins Island	US$1	100	–	Investment holding
Lok Wing Group Limited (“Lok Wing”)	Hong Kong	HK$50,000,000	–	100	Investment holding
Shanghai Xiang Chen Hang Place The Industry Co Ltd (“Shanghai Xiang Chen Hang”)*	mainland China	US$5,901,540**	–	100	Properties investment
Goodfit Products Company Limited	Hong Kong	HK$1,000 ordinary 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 of electronic consumer products and investment properties holding
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

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

** The registered capital of Shanghai Xiang Chen Hang is US$17,000,000 and US$5,901,540 has been paid up. In accordance with the relevant rules and regulation, the remaining unpaid registered capital have to be paid up within 30 days from 2 June 2008. According to《中華人民共和國外資企業法實施細則》(Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises), Lok Wing, an immediate parent of Shanghai Xiang Chen Hang, is required to settle all the outstanding amount (i.e. US$11,098,460) of capital within 30 days from 2 June 2008. Otherwise, the Certificate of Incorporation of Shanghai Xiang Chen Hang will become invalid with immediate effect.

*** 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.

20. INTERESTS IN ASSOCIATES

	The Group	
	2007	**2006**
	HK$	*HK$*
Share of net assets	–	–
Due from associates	–	16,025,387
	–	16,025,387
Less: Impairment losses	–	(16,025,387)
	–	–

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

Impairment losses on interests in associates are recognised as the carrying amount are greater than the recoverable amount in assessing the value in use.

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
Northern Newland Engineering Limited*	Corporate	Hong Kong	40	Provision of engineering services

* *Not audited by CCIF CPA Limited*

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	
	2007	2006
	HK$	HK$
Raw materials	–	7,522,083
Work-in-progress	–	3,272,799
Finished goods	–	1,278,796
	–	12,073,678

The amount of inventories (included above) carried at fair value less costs to sell is approximately HK$Nil (2006: HK$4,718,038).

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, is as follows:

	The Group	
	2007	2006
	HK$	HK$
Within 60 days	–	5,363,171
61 to 90 days	–	1,067,678
Over 91 days	–	1,708,251
	–	8,139,100

23. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	2007	2006
	HK$	HK$	HK$	HK$
Pledged deposits	–	500,000	–	–
Cash and cash equivalent	5,801,798	310,189	2,393,424	6,389
Total cash and cash balances	5,801,798	810,189	2,393,424	6,389

24. TRADE PAYABLES

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

	The Group	
	2007	2006
	HK$	HK$
Within 60 days	–	5,759,074
61 to 90 days	–	1,141,988
Over 91 days	–	5,721,158
	–	12,622,220

25. DUE TO DIRECTORS

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

26. DUE TO A RELATED PARTY

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	***HK$***	*HK$*
Ms Cheng Man Shan ("Ms Cheng")	–	13,941,893	–	13,505,000

Ms Cheng is the spouse of Mr. Chong Sing Yuen, Mr. Chong Sing Yuen was the ex-director of the Company.

On 1 April 2004, Tung Hing Products Company Limited ("Tung Hing"), 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 which matured in August 2004. The loan was unsecured, interest-free and repayable at the earlier of 23 August 2005 or the date on which the Group was able to obtain a new one-year or longer term loan facility from banks 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.

As at 31 March 2006, the facilities granted by Ms. Cheng utilised by the Company was HK$13,505,000. The amount was reassigned to Tung Hing by a debt assignment agreement dated 2 June 2006 entered into between Tung Hing and the Company.

In addition, Ms Cheng also made advance of HK$436,893 to the Group during the financial year 2006. No advance was made in the financial year 2007. The advance was unsecured, interest free and without fixed terms of repayment.

In accordance with the debt assignment agreement all the debt due to Ms Cheng was reassigned to Tung Hing for a consideration equal to the amount of the debt.

27. OTHER PAYABLE

The amount represents cash advance from Mr. Peter D. Xu and is unsecured, interest free and not repayable within one year.

28. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2007, the Group and the Company had no obligations under finance leases after disposal of Asian Field Group (note 35(b)).

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

	The Group and the Company					
	2007			2006		
	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
After 1 year but within 2 years	–	–	–	188,174	2,532	190,706
	–	–	–	931,135	44,515	975,650

29. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS

At 31 March 2007, the Group and Company had no outstanding bank overdrafts and interest-bearing borrowings after disposal of Asian Field Group (note 35(b)).

At 31 March 2006, the bank overdrafts and interest-bearing borrowings were repayable as follows:

	The Group	
	2007	2006
	HK$	*HK$*
Within 1 year or on demand	–	40,603,814
After 1 year but within 2 years	–	234,850
After 2 year but within 5 years	–	807,296
After 5 years	–	228,608
	–	1,270,754
Total	–	41,874,568

At 31 March 2007, no secured bank overdrafts and interest bearing-borrowings after disposal of Asian Field Group (note 35(b)).

At 31 March 2006, the bank overdrafts and interest-bearing borrowings were secured as follows:

	The Group	
	2007	2006
	HK$	*HK$*
Secured bank overdrafts	–	626,184
Secured bank loans	–	41,248,384
	–	41,874,568

Notes:

a) At 31 March 2006, the bank loans and overdrafts are secured by:

i) investment properties of HK$41,021,222;

ii) leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$28,619,938;

iii) trade receivables of HK$1,056,820; and

iv) pledged deposits amounting to HK$500,000.

30. TAXATION IN THE CONSOLIDATED BALANCE SHEET

Current taxation in the consolidated balance sheet represents:

	2007 *HK$*	2006 *HK$*
Hong Kong profits tax	–	861,462
Mainland China enterprise income tax	419,619	904,822
	419,619	1,766,284

31. DEFERRED TAX ASSETS/(LIABILITIES)

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** *HK$*	**Others** *HK$*	**Revaluation of buildings** *HK$*	**Total** *HK$*
At 1 April 2005	(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
At 1 April 2006	(47,859)	169,485	(115,902)	5,724
Disposal of building held for own use	–	–	115,902	115,902
Disposal of subsidiaries *(note 35(b))*	47,859	(169,485)	–	(121,626)
Acquisition of subsidiaries *(note 35(a))*	–	–	(55,786,762)*	(55,786,762)
Deferred tax charged to the income statement *(note 13)*	–	–	(4,728,240)**	(4,728,240)
At 31 March 2007	–	–	(60,515,002)	(60,515,002)

* The deferred tax liabilities were arising from the fair value adjustments on the investment properties held by the subsidiaries before the acquisition (note 35(a)). The amount has been previously charged to income statement in the books of the subsidiaries.

** The amount represented deferred tax liabilities on the fair value adjustments on investment properties held by the subsidiaries after the acquisition.

	2007 HK$	2006 HK$
Net deferred tax assets recognised on the balance sheet	–	5,724
Net deferred tax liabilities recognised on the balance sheet	(60,515,002)	–
	(60,515,002)	5,724

b) **Deferred tax assets not recognised**

The Group has tax losses arising in Hong Kong of HK$58,874,755 (2006: HK$112,728,215) 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 2007, there is no significant unrecognised deferred tax liability (2006: 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

	2007		2006	
	No. of shares	Amount HK$	No. of shares	Amount HK$
Ordinary shares of HK$0.2 each				
Authorised				
Beginning of year	1,500,000,000	300,000,000	30,000,000,000	300,000,000
Reduced upon share consolidation *(note a)*	–	–	(28,500,000,000)	–
End of year	1,500,000,000	300,000,000	1,500,000,000	300,000,000
Issued and fully paid				
Beginning of year	291,497,885	58,299,577	4,869,957,705	48,699,577
Reduced upon share consolidation *(note a)*	–	–	(4,626,459,820)	–
Issue of new shares *(note b)*	–	–	48,000,000	9,600,000
Issue of new shares *(note c)*	58,000,000	11,600,000	–	–
Issue of new shares *(note d)*	69,895,000	13,979,000	–	–
End of year	419,392,885	83,878,577	291,497,885	58,299,577

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 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 consideration of HK$12,480,000.

c) On 18 May 2006, the Company and an independent subscriber entered into a conditional agreement for the subscription of 58,000,000 shares at a price of HK$0.23 each. Net proceeds of the subscription were approximately HK$13.34 million and would be used as general working capital.

d) On 1 December 2006, the Company and a total of ten independent subscribers entered into a conditional agreement for the subscription of 69,895,000 shares at a price of HK$0.38 each. Net proceeds of the subscription were approximately HK$26.3 million and would be used as general working capital.

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 by the grantee.

The exercise price of the share options is determinable by the directors, but may not be less than the highest 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.

For the year ended 31 March 2007

Name or category of participant	At 1 April 2006	Number of share options Exercise during the year	Lapsed during the year	Cancelled during the year	At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$*
Directors								
Mr. Wong Siu Keung, Joe	850,000	–	–	–	850,000	30–10–2002	30–10–2002 to 29–10–2012	0.2
	850,000	–	–	–	850,000			
Employees								
Other employees	92,500	–	(92,500)	–	–	31–10–2002	31–10–2002 to 30–10–2012	0.2
	92,500	–	(92,500)	–	–			
Total share options	942,500	–	(92,500)	–	850,000			

For the year ended 31 March 2006

Name or category of participant	At 1 April 2005	Share Consolidation	Number of share options 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$*
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			

The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price *HK$*	**Number of options**	**Weighted average exercise price** *HK$*	**Number of options**
Outstanding at the beginning of the period	0.2	942,500	0.01	19,300,000
Share consolidation		–	0.01	(18,335,000)
Lapsed during the period		(92,500)	0.2	(22,500)
Outstanding at the end of the period	0.2	850,000	0.2	942,500
Exercisable at the end of the period	0.2	850,000	0.2	942,500

* 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.

At 31 March 2007, the Company had 850,000 (2006: 942,500) share options outstanding under the Scheme which represented approximately 0.2% (2006: 0.3%) 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 850,000 (2006: 942,500) additional ordinary shares of the Company and additional share capital of HK$170,000 (2006: HK$188,500).

34. RESERVES

a) Group

	Share premium *HK$*	Buildings revaluation reserve *HK$*	Special reserve *HK$*	Exchange fluctuation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 April 2005	24,062,750	–	(11,152,801)	(112,109)	(29,846,494)	(17,048,654)
Issue of new shares	2,880,000	–	–	–	–	2,880,000
Share issuance expense	(66,462)	–	–	–	–	(66,462)
Share consolidation expense	(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)
Loss for the year	–	–	–	–	(29,803,022)	(29,803,022)
At 31 March 2006	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	(43,969,797)
At 1 April 2006	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	(43,969,797)
Issue of new shares	14,321,100	–	–	–	–	14,321,100
Share issuance expense	(153,465)	–	–	–	–	(153,465)
Exchange realignment	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of investment properties	–	115,902	–	–	–	115,902
Disposal of buildings held for own use	–	(662,298)	–	–	662,298	–
Disposal of foreign operations	–	–	–	457,315	–	457,315
Loss for the year	–		–	–	(18,616,044)	(18,616,044)
At 31 March 2007	40,911,074	–	(11,152,801)	(93,436)	(77,603,262)	(47,938,425)

b) Company

	Share premium account *HK$*	Accumulated losses *HK$*	Total *HK$*
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	(66,462)	–	(66,462)
Share consolidation expense	(132,849)	–	(132,849)
Loss for the year	–	(13,957,662)	(13,957,662)
At 31 March 2006	26,743,439	(40,155,871)	(13,412,432)
At 1 April 2006	26,743,439	(40,155,871)	(13,412,432)
Issue of new shares	14,321,100	–	14,321,100
Share issuance expense	(153,465)	–	(153,465)
Loss for the year	–	(62,619,123)	(62,619,123)
At 31 March 2007	40,911,074	(102,774,994)	(61,863,920)

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 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.

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(q).

d) **Distributability of reserves**

At 31 March 2007, the Company did not have any reserve available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2006: Nil).

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash outflow from acquisition of subsidiaries

The assets and liabilities as at 28 November 2006 and the negative goodwill arising from the acquisition are as follows:

	Carrying value	**Fair value**
	HK$	*HK$*
Identifiable assets/(liabilities) acquired:		
Investment properties	244,456,000	244,456,000
Plant and equipment	596,841	596,841
Other receivables, deposits and prepayment	948,011	948,011
Cash and bank balances	2,784,780	2,784,780
Other payables and accruals	(79,173,448)	(79,173,448)
Tax payable	(419,619)	(419,619)
Deferred tax liabilities *(note 31(a))*	(55,786,762)	(55,786,762)
Net assets	113,405,803	113,405,803
Negative goodwill		(3,405,803)
Total consideration		110,000,000
Satisfied by:		
Cash consideration (ii)		24,811,764
Promissory notes (iii)		157,692,308
		182,504,072
Sale loans (iv)		(72,504,072)
		110,000,000
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:		
Cash and bank balances acquired		2,784,780
Cash consideration		(20,000,000)
Net outflow of cash and cash equivalent in respect of the acquisition of a subsidiary		(17,215,220)

There were no acquisitions in the year ended 31 March 2006.

(i) On 28 November 2006, the Group acquired 100% equity interest in Luck Grow Group Limited for a consideration of HK$110 million from Mr. Peter D. Xu, an independent third party.

(ii) During the financial year 2007, the Company paid HK$20,000,000 for the cash consideration of the acquisition. On 9 February 2007, the Company entered into an agreement with Mr. Peter D. Xu to re-arrange the payment of the balance of the cash consideration of HK$4,811,764. Pursuant to the agreement, Mr. Peter D. Xu granted to the Company the right to repay the amount at any time within five years from the date of the agreement. As agreed with Mr. Peter D. Xu, the Company will not repay the amount within one year after the balance sheet date and was classified as a long term payable.

(iii) In accordance with the sale and purchase agreement signed on 21 August 2006 between Mr. Peter D. Xu and the Company, the balance of consideration of HK$157,692,308 would be settled by the issue of promissory note I of HK$82,692,308 and promissory note II of HK$75,000,000. The promissory notes would be fall due on the fifth anniversary date of issue with interest of 5% p.a.

As at the balance sheet date, the promissory notes have not been issued as the conditions under the agreement for issuing the promissory notes were not yet fulfilled. The amount was classified as a long term payable.

(iv) Sale loans represented all obligations, liabilities and debts owed and incurred by Luck Grow and Shanghai Xiang Chen Hang to the Mr. Peter D. Xu as at the date of completion of the acquisition. As at the date of the sale and purchase agreement, Luck Grow owed Mr. Peter D. Xu a loan of HK$50,000,000 and Shanghai Xiang Chen Hang owed Mr. Peter D. Xu a loan of RMB 23,404,234.88 (equivalent to approximately HK$22,504,072). To the best knowledge of the directors, such loans are monies lent by Mr. Peter D. Xu to the respective companies as working capital.

(v) Luck Grow Group Limited contributed approximately HK$9.6 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2006, total Group revenue for the year would have been HK$67 million, and loss for the year would have been HK$12 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

(b) Net cash inflow from disposal of subsidiaries

	2007
	HK$
Net liabilities disposed of:	
Property, plant and equipment	2,150,850
Investment properties	2,840,000
Leasehold land held for own use	1,484,545
Deferred tax assets	121,626
Inventories	5,044,757
Other receivables, deposits and prepayment	307,069
Trade and bills receivables	9,123,153
Pledged deposits	1,500,000
Cash and bank balances	1,302,169
Trade payables	(8,186,275)
Other payables and accruals	(5,654,437)
Due to holding company	(62,751,499)
Due to a director	(1,677,694)
Tax payable	(598,357)
Due to related parties	(59,613)
Interest-bearing borrowings	(8,690,128)
Obligations under finance leases	(263,346)
Deferred shares	(1,000,000)
Net liabilities	(65,007,180)
Exchange differences recognized in equity	457,315
Capitalised amount (ii)	62,109,052
Gain on disposal of subsidiaries	2,440,813
Total consideration (iii)	2
Satisfied by:	
Cash consideration	2
Analysis of the net outflow of cash and cash equivalents arising on disposal of subsidiaries:	
Cash consideration received	2
Cash and bank balances disposed	(1,302,169)
Net outflow of cash and cash equivalent in respect of the disposal of subsidiaries	(1,302,167)

There were no disposals in the year ended 31 March 2006.

(i) On 31 March 2007, the Group disposed of 100% equity interest in Asian Field Holdings Corp. ("Asian Field") and its subsidiaries with its share of net liabilities of approximately HK$65,007,000 to Mr. Chong Sing Yuen, the ex-director of the Company, for a consideration of HK$1.

(ii) On 7 February 2007, the Company and Asian Field entered into an agreement pursuant to which an amount of inter-company balance of HK$62,109,052 owed by Asian Field to the Company equivalent to the net liabilities recorded on the accounts in January 2007 of Asian Field will be capitalized to offset the same amount of the net liabilities recorded on the accounts in January 2007 and as a result, one share of Asian Field will be allotted and issued to the Company for a consideration which is equal to the amount capitalized.

(iii) The aggregate consideration of HK$2, comprises the consideration of HK$1 for the 100% equity interest in Asian Field and consideration for the sale loan of HK$1. The sale loan represented the shareholder's loan as at 31 March 2007 after netting off of the amount capitalized as stated in (ii) above.

(c) Non-cash transactions

On 28 November 2006, the Group acquired 100% equity interest in Luck Grow Group Limited from Mr. Peter D. Xu, an independent third party, for a consideration of HK$110 million. During the financial year 2007, the Company paid HK$20,000,000 as partial settlement of the cash consideration of HK$24,811,764. The balance of the cash consideration of HK$4,811,764 was agreed with Mr. Peter D. Xu and will not be repayable within one year. The amount of HK$157,692,308 which will be settled by way of issuing promissory notes have not been issued as the conditions under the sale and purchase agreement signed on 21 August 2006 for issuing the promissory notes were not yet fulfilled. The total outstanding balance HK$162,504,072 was therefore classified as a long term payable.

The directors consider that the carrying amount of the long term payable approximates to the fair value.

36. 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:

	2007	**2006**
	HK$	*HK$*
Within one year	12,894,434	3,130,610
In the second to fifth years, inclusive	41,475,115	4,184,454
Over five years	6,018,072	2,643,385
	60,387,621	9,958,449

b) The Group as lessee:

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	
	2007	**2006**
	HK$	*HK$*
Within one year	1,271,951	197,500
In the second to fifth years, inclusive	2,737,873	–
Over five years	1,090,698	–
	5,100,522	197,500

37. FINANCIAL GUARANTEE CONTRACTS

a) The Group

At 31 March 2007, a subsidiary of the Group pledged certain property interests to the banks to secure credit facilities to the extent of approximating HK$162 million (2006 : HK$Nil) guarantee to Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd for working capital funding purpose. The directors considered that no recognition was made because the fair value of such guarantee was insignificant.

b) **The Company**

At 31 March 2006, the Company had given guarantees to the bank in connection with banking facilities granted to certain subsidiaries amounted to HK$57,469,794. The directors considered that no recognition was made because the fair value of such guarantee was insignificant.

At 31 March 2007, the guarantees were released when the subsidiaries were disposed.

38. CONTINGENT LIABILITIES

At 31 March 2007, the Group had no possible future long service payments to the employees under the Hong Kong Employment Ordinance when the Asian Field Group was disposed.

At 31 March 2006, the Group had a contingent liability in respect of possible future long service payments to the employees under the Hong Kong Employment Ordinance with a maximum possible amount of approximately HK$338,000, as further explained under the heading "Employee benefits" in note 3(u) to the financial statements. At 31 March 2006, 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.

39. 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$197,500 (2006: HK$474,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement.

ii) At 31 March 2007, Twin Base pledged certain of its property interests to a bank to secure credit facilities to the extent of HK$12,899,980(2006: HK$12,899,980) granted to the Group.

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

	The Group	
	2007	**2006**
	HK$	*HK$*
Purchases of raw materials from an associate	–	194,955

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

c) During the year ended 31 March 2006, Ms Cheng, the spouse of Mr. Chong Sing Yuen, granted a credit facility of HK$13,660,000 to the Group, the details of which are set out in note 26 to the financial statements. In addition, Ms. Cheng advanced HK$436,893 to the Group. The advances were unsecured, interest-free and with fixed terms of repayment.

d) 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.

40. 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 in that the Defendents failed to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being the 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 the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

41. NON-ADJUSTING POST BALANCE SHEET EVENT

On 12 April 2007, the Company announced the proposal on capital reorganisation involving the capital reduction and share premium reduction in accordance with the Bye-laws. Pursuant to the capital reduction, the issued share capital of the Company will be reduced by HK$0.19 per share by canceling an equivalent amount of paid-up capital per share so that the nominal value of each share in issue will be reduced from HK$0.20 to HK$0.01. The proposed share premium reduction is to cancel the entire amount standing to the credit of the share premium account of the Company. The credit arising from capital reduction and share premium reduction will be transferred to the contributed surplus account of the Company where it may be utilized by the directors in accordance with the Bye-laws and all applicable laws, including to apply such credit against the accumulated losses of the Company.

The capital reorganization is subject to the approval of the shareholders of the Company and adjustment has not been made in these financial statements. The details of the capital reorganisation were set out in the announcement dated 12 April 2007.

42. 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$892,192 during the year (2006: HK$341,722). The amount of unvested benefits available for future reduction of employer's contribution as at 31 March 2007 is approximately HK$Nil (2006: HK$1,788,431).

43. COMPARATIVE FIGURES

Due to the terminations 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.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 31 MARCH 2007

The Group has not early applied the following amendments, new standard and interpretations that have been issued but are not yet effective. The Group anticipates 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]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions[5]
HK(IFRIC)-Int 12	Service Concession Arrangements[6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 May 2006
3 Effective for annual periods beginning on or after 1 June 2006
4 Effective for annual periods beginning on or after 1 November 2006
5 Effective for annual periods beginning on or after 1 March 2007
6 Effective for annual periods beginning on or after 1 January 2008
7 Effective for annual periods beginning on or after 1 January 2009”

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis (modified as appropriate) extracted from the annual reports of the Company for each of the three financial years ended 31 March 2005, 2006 and 2007:

(i) For the year ended 31 March 2007

REVIEW OF RESULTS

The Group's turnover was HK$58.9 million (2006: HK$99.2 million), representing an decrease of 40.6% from 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. For details please refer to note 32 to the financial statements.

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 and 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), 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 of the Company 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 of the Company 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 (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 was approved 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 a contingent liabilities in respect of possible future long services payments to employees of HK$338,000.

The Company

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

(ii) For the year ended 31 March 2006

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).

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 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, 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 enhances 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: HK$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$13.24 million subsequent to the balance sheet date; and (ii) subject to the shareholders' approval, the Group proposed to dispose the investment properties 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 Mainland China. 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 properties in Panyu in Mainland China, 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 EVENTS

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 Mainland China, 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 and is in the progress to assess its financial impact.

CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Panyu, Mainland China 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, Mainland China. 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.

(iii) For the year ended 31 March 2005

BUSINESS REVIEW AND PROSPECTS

The Group's turnover was HK$70.1 million (2004: HK$81.0 million) in the year ended 31 March 2005, representing a decrease of 13% over the previous year. Gross profit margin deteriorated to 8% (2004: 13%) partly due to sharp increase in prices of raw materials. Net loss of the Group was HK$19.6 million (2004: HK$15.5 million) and loss per share was HK0.41 cents (2004: HK0.34 cents).

Consumer electronics business

The performance of the electronics business of the Group was adversely affected by sudden increase in oil and metal prices during the year ended 31 March 2005. The strong growth in ODM sales during the year cushioned the fall in OEM sales but was far from being able to offset the impact since the electronics business was still very dependent on OEM. The result of the electronics business was a negative contribution of HK$9.1 million (2004: HK$11.4 million).

A rebound in the electronics business has been observed. The turnover of the electronics business increased almost 300% year-on-year in the three months ended 30 June 2005, and is likely to record very high growth in the following three months judging from the orders in book. Newly developed OEM products have been selling well while ODM sales continue to grow. A significant improvement in the electronics business is expected but fluctuation in raw material prices remains a major risk factor.

Snap off blade cutter business

Similar to the electronics business, the cutter business was also adversely affected by sudden increase in raw material prices during the year ended 31 March 2005. The annual turnover fell 9% to HK$43.1 million (2004: HK$47.6 million) mainly due to decrease in sales volume as a result of necessary upward price adjustment reflecting the increase in material and manufacturing cost. The result of the cutter business turned to a negative contribution of HK$3.1 million from a positive contribution of HK$2.9 million in the previous year.

In order to improve the performance of the cutter business, the business segment has planned to boost turnover and improve profit margin by adding new models to the existing product mix. A number of new clients, which are major distributors of tools and stationary, have been secured. A moderate growth in turnover and significant improvement in the result of the cutter business are expected in the coming year.

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 2005, the current and non-current liabilities of the Group amounted to HK$66.4 million (2004: HK$64.5 million) and HK$22.8 million (2004: HK$10.7 million) respectively. The amount of net current liabilities narrowed to HK$26.6 million (2004: HK$29.1 million) mainly due to rescheduling of about HK$16.0 million of short-term bank borrowings to long-term bank borrowings during the year. The Group recorded an operating cash outflow of HK$10.8 million (2004: HK$11.6 million) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, rose to 101% (2004: 81%) during the year.

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

INVESTMENT POSITION AND PLANNING

Superior Trump Limited, a wholly owned subsidiary of the Company, entered into a formal agreement with a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules) on 26 October 2004 to dispose of all the Group's investment properties situated in Fo Tan Industrial Centre, Shatin, Hong Kong at the consideration of HK$7,150,000 (the "Disposal") and the transaction was duly completed on 15 December 2004. The Disposal contributed approximately HK$1.0 million net earnings to the Group in the year ended 31 March 2005.

All of the Group's investment properties were situated in Northern Industrial Complex, Panyu, Guangdong Province, the PRC after the Disposal. 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.

The Group has planned to spend about HK$2.0 million in upgrading plant and machinery to cope with increasing orders in the coming year. Special budget may be approved if new production equipment is required for efficient completion of new OEM orders or when suitable investment opportunities arise. The Group may consider disposing of some investment properties when circumstances require.

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 OPTIONS

During the year ended 31 March 2005, the Company issued 66,150,000 ordinary shares pursuant to the exercise of share options by certain directors of the Company and employees of the Group. At 31 March 2005, the share capital of the Company comprised only 4,869,957,705 ordinary shares of HK$0.01 each (the "Share(s)").

Consolidation of shares and adjustment to options

On 23 March 2005, the Company announced 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") and to change board lot size for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 50,000 Shares to 5,000 New Shares upon the implementation of the Consolidation.

The Consolidation was approved by the shareholders of the Company and became effective on 5 May 2005 (the "Effective Date"). Accordingly, the Company had 243,497,885.25 issued New Shares and 1,256,502,114.75 un-issued New Shares immediately after the Consolidation.

As at the Effective Date, the Company had outstanding options granted under its share option scheme 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 under the Company's share option scheme 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.

Termination of an open offer

The Company announced on 28 January 2005 a proposal to raise fund of not less than HK$94 million through an open offer (the "Open Offer") and the Company intended to use such proceeds for possible investment. As stated in the Company's announcement dated 18 April 2005, the underwriter of the Open Offer purported to terminate the relevant underwriting agreement and failed to take up the underwritten shares, the Open Offer was therefore terminated. The Company is seeking legal advice on the necessary actions to be taken against the relevant underwriter.

Subscription of new shares

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), on 14 July 2005 for the subscription of 48 million New Shares (representing 19.71% of the Company's issued share capital as at 14 July 2005 and about 16.47% of its share capital as enlarged by the subscription) 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 (the "Subscription").

The Subscription is conditional on the granting of a listing of and permission to deal in the 48 million New Shares by the Listing Committee of the Stock Exchange. An application was made by the Company to the Stock Exchange on 19 July 2005 for the listing of and permission to deal in the 48 million New Shares.

CHARGES ON THE GROUP'S ASSETS

The Group's properties are situated in Hong Kong and the PRC. At 31 March 2005, all of the Group's properties in Hong Kong (2004: 100%) and approximately 61% (2004: 88%) of the Group's properties in the PRC were pledged to banks to secure credit facilities for the Group.

CONTINGENT LIABILITIES

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$275,000 (2004: HK$279,000) as at 31 March 2005, as further explained under the heading "Employee benefits" in note 3(o) to the financial statements.

As at 31 March 2005, the Company had provided corporate guarantees to the extent of HK$55.2 million (2004: HK$88.1 million) to certain banks in respect of credit facilities granted to its wholly owned subsidiaries.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no acquisition and disposal of subsidiaries and associated companies during the year.

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 costs. 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.

EMPLOYEES

The Group has approximately 1,430 employees. Most of these employees are 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.

4. INDEBTEDNESS

As at 30 June 2007, the Enlarged Group's investment properties with value of approximately HK$424.5 million consisting of Existing Properties of approximately HK$264.3 million and Subject Properties of approximately HK$160.2 million were pledged for banking facilities granted to certain third parties. Save for the aforesaid, the Enlarged Group did not have any other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including 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 credits, or any guarantees, or other material contingent liabilities outstanding.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximately rates of exchange prevailing as at 30 June 2007.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since 30 June 2007 except that the Enlarged Group had obtained secured bank borrowings of RMB100 million (equivalent to approximately HK$102.6 million) in July 2007 and had issued promissory notes amounted to approximately HK$157.7 million in July 2007 upon the releasing of mortgages on Existing Properties in July 2007.

5. WORKING CAPITAL STATEMENT

Taking into account the Enlarged Group's internal resources, presently available banking facilities and the mortgage loan to be obtained for the purpose of the Acquisitions, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirements and for the next 12 months from the date of this circular.

6. MATERIAL CHANGE

(a) Issue of promissory notes

As set out in the circular of the Company dated 31 October 2006, the Company entered into a sale and purchase agreement with an independent third party to acquire the Existing Properties. The Existing Properties held by the Company after completion of the aforesaid acquisition in November 2006 were pledged to certain banks by their previous owners to secure banking facilities. In July 2007, the Board was informed that all mortgage loans have been released and the Company has issued the promissory notes with an aggregate amount of HK$157.7 million to satisfy the consideration of the acquisition. The promissory notes bear an interest rate of 5% per annum and will mature on the date falling on the fifth anniversary of the date of issue.

(b) Obtaining a bank loan of RMB100 million

On 9 July 2007, the Group secured a bank loan with a principal amount of RMB100 million at an annual interest rate of 7.92%. The bank loan has a period of 10 years maturing on 11 July 2017. It is secured by the Existing Properties.

Save as disclosed above, the Board is not aware of any material change in the financial or trading position or outlook of the Group since 31 March 2007 (the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

14 August 2007

The Board of Directors
Northern International Holdings Limited

Dear Sirs,

We set out below our report on the available profit and loss statement (the "Financial Information") of the properties known as whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jingan District, Shanghai, The People's Republic of China ("First Property"), whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jingan District, Shanghai, The People's Republic of China ("Second Property"), and whole of two offices floors on Levels 14 and 15 of Yun Hai Building located at Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The People's Republic of China ("Third Property") (hereinafter collectively referred to as the "Subject Properties") for the years ended 31 December 2004, 2005 and 2006 and period ended 31 May 2006 and 2007 (the "Relevant Period") for inclusion in the circular issued by Northern International Holdings Limited (the "Company") dated 14 August 2007 (the "Circular") in connection with the acquisition of the Subject Properties by the Company.

We have been engaged to review the Financial Information, which were prepared on the basis consistent with the accounting policies of the Company, for the Relevant Period to ensure that it has been properly compiled and derived from the underlying books and records, in accordance with the requirements as set out in Rule 14.69(4)(b)(i) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing ("HKSA") or Hong Kong Standards on Review Engagements ("HKSRE") issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit (in accordance with HKSA) or review (in accordance with HKSRE) assurance on the Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Financial Information has been properly compiled on basis consistent with the accounting policies of the Company.

In our opinion, on the basis of presentation set out in note 1 of section A relating to Basis of Presentation of Financial Information below, the Financial Information for the Relevant Period has been properly compiled and derived from the underlying books and records.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

A. FINANCIAL INFORMATION OF THE PROPERTIES

Profit and Loss Statement – First Property

	Note	Period ended 31 December 2005 RMB'000	Year ended 31 December 2006 RMB'000	Five months ended 31 May 2006 RMB'000	Five months ended 31 May 2007 RMB'000
Revenue					
Gross rental income		1,765	3,726	1,247	2,121
Direct costs	3	(213)	(449)	(150)	(256)
Gross profit		1,552	3,277	1,097	1,865
Other revenue	4	25,957	5,590	1,720	2,150
Administrative expenses	5	(38)	(77)	(32)	(30)
Operating profit before tax		27,471	8,790	2,785	3,985
Income tax expense	6	(88)	(186)	(62)	(106)
Profit for the period/year		27,383	8,604	2,723	3,879

Unaudited financial information on the First Property for the period from the date of acquisition of the property by the vendor on 4 February 2005.

Profit and Loss Statement – Second Property

		Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
Gross rental income		985	2,071	695	1,211
Direct costs	3	(122)	(255)	(87)	(149)
Gross profit		863	1,816	608	1,062
Other revenue	4	5,093	2,730	840	1,050
Administrative expenses	5	(65)	(77)	(32)	(24)
Operating profit before tax		5,891	4,469	1,416	2,088
Income tax expense	6	(49)	(104)	(35)	(61)
Profit for the period/year		5,842	4,365	1,381	2,027

Unaudited financial information on the Second Property for the period from the date of acquisition of the property by the vendor on 4 February 2005.

Profit and Loss Statement – Third Property

		Period ended 31 December	Year ended 31 December		Five months ended 31 May	
		2004	**2005**	**2006**	**2006**	**2007**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
Gross rental income		–	–	3,000	1,250	1,500
Direct costs	3	–	–	(362)	(151)	(181)
Gross profit		–	–	2,638	1,099	1,319
Other revenue	4	–	3,410	2,015	620	732
Administrative expenses	5	(6,622)	(584)	(598)	(243)	(168)
Operating (loss)/profit before tax		(6,622)	2,826	4,055	1,476	1,883
Income tax expense	6	–	–	(150)	(63)	(75)
(Loss)/Profit for the period/year		(6,622)	2,826	3,905	1,413	1,808

Unaudited financial information on the Third Property for the period from the date of acquisition of the property by the vendor on 28 April 2004. The whole of level 14 of Third Property did not receive any rental income from 28 April 2004 until 31 December 2005. The whole level 15 of the Third Property is held for own use.

Note to Financial Information

1. Basis of presentation of Financial Information

The Financial Information has been presented in accordance with the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The measurement basis used is the historical cost basis, except that investment properties and properties held for own use are stated at their fair value.

2. Significant accounting policies

a. Revenue recognition

Rental income receivable under operating leases is recognised in profit or loss in equal instalment over the periods covered by the lease term.

b. Taxation

Income tax expense represents the sum of the mainland China tax currently payable.

The mainland China tax currently payable is calculated using applicable tax rate(s) on taxable profit for the year. Taxable profit may differ from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

c. 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.

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 profit or loss 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 profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

d. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest 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 profit or loss. Rental income from investment properties is accounted for as described in note 2(a).

3. Direct costs

First Property

	Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China housing property tax	212	447	149	255
Other tax	1	2	1	1
	213	449	150	256

Second Property

	Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China housing property tax	118	249	83	145
Other tax	4	6	4	4
	122	255	87	149

Third Property

	Period ended 31 December 2004	Year ended 31 December 2005	2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China housing property tax	–	–	360	150	180
Other tax	–	–	2	1	1
	–	–	362	151	181

4. Other revenue

First Property

	Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value adjustment on investment properties	25,957	5,590	1,720	2,150

Second Property

	Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value adjustment on investment properties	5,093	2,730	840	1,050

Third Property

	Period ended 31 December	Year ended 31 December		Five months ended 31 May	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Surplus on revaluation of a property	–	1,710	1,011	311	346
Fair value adjustment on an investment property	–	1,700	1,004	309	386
	–	3,410	2,015	620	732

5 **Administrative expenses**

First Property

	Period ended 31 December	Year ended 31 December	Five months ended 31 May	
	2005	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Insurance	12	14	6	30
Repairs, maintenance and renovation expenses	26	63	26	–
	38	77	32	30

Second Property

	Period ended 31 December	Year ended 31 December	Five months ended 31 May	
	2005	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Insurance	39	14	6	24
Repairs, maintenance and renovation expenses	26	63	26	–
	65	77	32	24

Third Property

	Period ended 31 December	Year ended 31 December		Five months ended 31 May	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Building management fee	390	520	520	216	109
Deficit on revaluation of a property	6,214	–	–	–	–
Insurance	–	28	–	–	16
Repairs, maintenance and renovation expenses	–	–	1	1	37
Sundry expenses	–	–	42	17	–
Utility expenses	18	36	35	9	6
	6,622	584	598	243	168

6 Income tax expense

The provision for mainland China business tax is calculated at 5% of the rental income for the period.

First Property

	Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China business tax	88	186	62	106

Second Property

	Period ended 31 December 2005	Year ended 31 December 2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China business tax	49	104	35	61

Third Property

	Period ended 31 December 2004	Year ended 31 December 2005	2006	Five months ended 31 May 2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China business tax	–	–	150	63	75

A. STATEMENT OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE ACQUISITION

The accompanying unaudited pro forma financial information of the Enlarged Group have been prepared to illustrate the effect of the acquisition of the properties (the "Acquisition") at total consideration equivalent to HK$160,098,000. The properties for the acquisition known as whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jingan District, Shanghai, The People's Republic of China ("First Property"), whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jingan District, Shanghai, The People's Republic of China ("Second Property"), and whole of two offices floors on Levels 14 and 15 of Yun Hai Building located at Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The People's Republic of China ("Third Property"). The consideration will be settled by cash.

1. Unaudited pro forma consolidated balance sheet

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 31 March 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is based on the audited consolidated balance sheet as at 31 March 2007 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2007. The unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to predict the future position of the Enlarged Group.

The unaudited pro forma consolidated balance sheet has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following completion of the Acquisition.

	The Group audited consolidated balance sheet as at 31 March 2007	Pro forma adjustments relating to the Acquisition				Unaudited pro forma net assets statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	*B*	*C*	*D*	*E*	*F=A+B+C+D+E*
NON-CURRENT ASSETS						
Property, plant and equipment	887	–	–	–	–	887
Investment properties	258,784	86,487	42,740	30,871	–	418,882
	259,671	86,487	42,740	30,871	–	419,769
CURRENT ASSETS						
Other receivables, deposits and prepayments	2,155	1,090	705	–	–	3,950
Cash and cash equivalents *(Note 6)*	5,802	(86,487)	(42,740)	(30,871)	(1,100)	(155,396)
	7,957	(85,397)	(42,035)	(30,871)	(1,100)	(151,446)
CURRENT LIABILITIES						
Other payables and accruals	(5,462)	(1,090)	(705)	–	–	(7,257)
Due to directors	(35)	–	–	–	–	(35)
Tax payable	(420)	–	–	–	–	(420)
	(5,917)	(1,090)	(705)	–	–	(7,712)
NET CURRENT ASSETS/ (LIABILITIES)	2,040	(86,487)	(42,740)	(30,871)	(1,100)	(159,158)
TOTAL ASSETS LESS CURRENT LIABILITIES	261,711	–	–	–	(1,100)	260,611
NON-CURRENT LIABILITIES						
Other payable	(2,752)	–	–	–	–	(2,752)
Long term payable	(162,504)	–	–	–	–	(162,504)
Deferred tax liabilities	(60,515)	–	–	–	–	(60,515)
	(225,771)	–	–	–	–	(225,771)
NET ASSETS/(LIABILITIES)	35,940	–	–	–	(1,100)	34,840
CAPITAL AND RESERVES						
Share capital	83,878	–	–	–	–	83,878
Reserves	(47,938)	–	–	–	(1,100)	(49,038)
Total equity attributable to equity shareholders of the Company	35,940	–	–	–	(1,100)	34,840
TOTAL EQUITY	35,940	–	–	–	(1,100)	34,840

Notes:

1. Column A is extracted from the audited consolidated balance sheet of the Group as at 31 March 2007 as set out in Appendix I of this circular.

2. This adjustment relates to the acquisition of the First Property at the total consideration of HK$86,487,000 pursuant to an agreement entered into between Shanghai Xiang Chen Hang Place The Industry Co. Limited ("Shanghai Xiang Chen Hang"), a wholly-owned subsidiary of the Company, and the vendor (the "First Agreement") under which (i) HK$43,243,500 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the First Agreement; (ii) the remaining HK$43,243,500 in cash, which will be paid on the tenth business day after completion of the First Agreement. Rental deposits of the First Property of RMB1,090,000 (equivalent to approximately HK$1,090,000) will be transferred to Shanghai Xiang Chen Hang upon completion.

3. This adjustment relates to the acquisition of the Second Property at the total consideration of HK$42,740,000 pursuant to an agreement entered into between Shanghai Xiang Chen Hang and the vendor (the "Second Agreement") under which (i) HK$21,370,000 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the Second Agreement; (ii) the remaining HK$21,370,000 in cash, which will be paid on the tenth business day after completion of the Second Agreement. Rental deposits of the Second Property of RMB705,000 (equivalent to approximately HK$705,000) will be transferred to Shanghai Xiang Chen Hang upon completion.

4. This adjustment relates to the acquisition of the Third Property at the total consideration of HK$30,871,000 pursuant to an agreement entered into between Shanghai Xiang Chen Hang and the vendor (the "Third Agreement") under which (i) HK$15,435,500 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the Third Agreement; (ii) the remaining HK$15,435,500 in cash, which will be paid on the tenth business day after completion of the Third Agreement.

5. This adjustment reflects the estimated expenses (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) attributable to the Acquisition of HK$1,100,000 which does not have a continuous effect to the Group and will be settled by cash.

6. The negative balance on cash and cash equivalents will be financed by bank overdraft facilities or mortgage loan with the properties of the Group as securities.

2. Unaudited pro forma consolidated income statement of the Enlarged Group

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition assuming that they had been completed as of 1 April 2006.

The unaudited pro forma consolidated income statement of the Enlarged Group is based on the audited consolidated income statement of the Group for the year ended 31 March 2007 with adjustments to reflect the effect of the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated income statement is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated income statement of the Enlarged Group does not purport to describe the results of the Enlarged Group that would have been attained had the Acquisition been completed at 1 April 2006. The unaudited pro forma consolidated income statement of the Enlarged Group does not purport to predict the future result of the Enlarged Group.

The unaudited pro forma consolidated income statement has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Enlarged Group had the Acquisition actually occurred at the beginning of the year ended 31 March 2007 or for any future period.

	The Group audited consolidated income statement for the year ended 31 March 2007	First Property for the year ended 31 December 2006	Second Property for the year ended 31 December 2006	Third Property for the year ended 31 December 2006	Pro forma adjustments relating to the Acquisition	Unaudited pro forma income statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	A	*B*	*C*	*D*	*E*	*F=A+B+C+D+E*
CONTINUING OPERATIONS						
Turnover	5,658	3,726	2,071	3,000	–	14,455
Direct costs	–	(449)	(255)	(362)	–	(1,066)
Gross profit	5,658	3,277	1,816	2,638	–	13,389
Other revenue	27,818	5,590	2,730	2,015	–	38,153
Administrative expenses	(18,808)	(77)	(77)	(598)	(1,100)	(20,660)
Other operating expenses	(5)	–	–	–	–	(5)
Profit from operations	14,663	8,790	4,469	4,055	(1,100)	30,877
Finance costs	–	–	–	–	–	–
Profit before tax	14,663	8,790	4,469	4,055	(1,100)	30,877
Income tax	(4,728)	(186)	(104)	(150)	–	(5,168)
Profit/(loss) for the year from continuing operations	9,935	8,604	4,365	3,905	(1,100)	25,709
DISCONTINUED OPERATIONS						
Loss for the year from discontinued operations	(28,551)	–	–	–	–	(28,551)
(LOSS)/PROFIT FOR THE YEAR	(18,616)	8,604	4,365	3,905	(1,100)	(2,842)
Attributable to:						
Equity shareholders of the Company	(18,616)	8,604	4,365	3,905	(1,100)	(2,842)
Minority interests	–	–	–	–	–	–
	(18,616)	8,604	4,365	3,905	(1,100)	(2,842)

Notes:

1. Column A is extracted from the audited consolidated income statement of the Group for the year ended 31 March 2007 as set out in Appendix I of this circular.

2. Column B is extracted from the financial information of the property on the First Property set out in Appendix II of this circular.

3. Column C is extracted from the financial information of the property on the Second Property set out in Appendix II of this circular.

4. Column D is extracted from the financial information of the property on the Third Property set out in Appendix II of this circular.

5. This adjustment reflects the estimated expenses (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) attributable to the Acquisition of HK$1,100,000 which does not have a continuous effect to the Group.

B. REPORT ON THE STATEMENT OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE ACQUISITION

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

14 August 2007

The Board of Directors
Northern International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Northern International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out in Section A of Appendix III to the circular dated 14 August 2007 (the "Circular") in connection with the acquisition of properties (the "Acquisition") as at the completion date by the Group (the "Enlarged Group"). The unaudited pro forma financial information of the Enlarged Group together with financial information of the Subject Properties has been prepared by the directors of the Company, for illustrative purpose only, to provide information on how the Acquisition might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out in Section A of Appendix III of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 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.

It is our responsibility to form an opinion as required by Rule 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 the reports were addressed by us at the dates of the 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 Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose 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 Enlarged Group as at 31 March 2007 or any future date; and

– the results of the Enlarged Group for the year ended 31 March 2007 or any future period.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled 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 purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

C. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP FOR THE OPEN OFFER

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the Open Offer is prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had taken place on 31 March 2007.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group as at 31 March 2007 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2007 as extracted from the audited consolidated balance sheet of the Group as at 31 March 2007, adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 March 2007	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company after the Open Offer**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	
Net tangible assets	35,940	207,038	242,978
Audited consolidated net tangible assets per Share as at 31 March 2007 and prior to the completion of the Open Offer *(Note 3)*			HK$0.09
Unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the Open Offer *(Note 4)*			HK$0.14

Notes:

1. The consolidated net tangible assets of the Group as at 31 March 2007 have been extracted from the audited consolidated financial statements of the Group as at 31 March 2007.

2. The estimated net proceeds from the Open Offer are based on the price of HK$0.17 per Offer Share and 1,258,178,656 Offer Shares (based on 419,392,885 Shares in issue as at the Latest Practicable Date) that are expected to be allotted and issued, after deducting the estimated expenses of approximately HK$6,852,260 directly attributable to the Open Offer. The net cash inflow is approximately HK$207,038,111.

3. The audited consolidated net tangible assets of the Group per Share prior to the completion of the Open Offer is calculated based on the 419,392,885 Shares in issue as at the Latest Practicable Date.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after the Open Offer is calculated based on the 1,677,571,541 Shares in issue after the Open Offer. (i.e. 419,392,885 Shares in issue as at the Latest Practicable Date and 1,258,178,656 Offer Shares in total)

D. REPORT ON THE STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP FOR THE OPEN OFFER

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

14 August 2007

The Board of Directors
Northern International Holdings Limited

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible assets of Northern International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out in Section C of Appendix III to the circular dated 14 August 2007 (the "Circular") in connection with the proposed open offer on the basis of three offer shares for every share held (the "Open Offer"). The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company, for illustrative purpose only, to provide information on how the Open Offer might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out in Section C of Appendix III of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 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.

It is our responsibility to form an opinion as required by Rule 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 the reports were addressed by us at the dates of the 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 Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose 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 as at 31 March 2007 or any future date.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled 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 purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

Set out below are the text of 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 purposes of incorporation into this circular, of their property valuations of the Enlarged Group as at 30 June 2007.

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

Unit B, 23rd Floor
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

14 August 2007

The Directors
Northern International Holdings Limited
Room 2001, 20th Floor
Lippo Centre
Tower Two
89 Queensway
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties held by and to be acquired by Northern International Holdings Limited (the "Company") and its subsidiaries (together the "Group"), 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 30 June 2007 (the "date of valuation").

Our valuations of the property interest are our opinion of the 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 valuations of the property interests have been made on the assumption that the owner sells the properties on the market in their existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties.

The property interests have been valued on a market basis by reference to comparable market transactions and, where appropriate, by capitalizing the net rental incomes receivable from the existing tenancies and the reversionary rental income potential. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowances for variable factors.

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 2005) published by the Hong Kong Institute of Surveyors.

In valuing the properties in the PRC, we have complied with all the requirements contained in the Practice Note.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 of licenses required in the PRC is set out as follows:

Document/Approval	**Property 1 in Group I**	**Property 2 in Group I**	**Property 1 in Group II**	**Property 2 in Group II**	**Property 3 in Group II**
Certificate of Real Estate Ownership	Yes	Yes	Yes	Yes	Yes
Certificate of Registration of Real Estate of Shanghai Municipality	Yes	Yes	Yes	Yes	Yes

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as 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 area in respect of the properties but have assumed that the site area shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties, 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 included in the attached valuation certificate, 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 nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, such as mortgage and debenture charge, restrictions and outgoings of an onerous nature which could affect their values.

In the course of our valuations, we have neither verify nor taken into account any PRC tax liabilities. We have been advised by the Company that the Company has no intention to dispose the property interests in the PRC in near future. However, should disposal of the property interests be conducted, the potential tax liabilities arising, as advised by the Company, will include the sales tax (5% on sales consideration), income tax (25% on profit) and capital gain tax (the tax rate is determined by the amount of capital gain). Yet, unless and until the completion of disposal of the property interests, the amount of the PRC tax liabilities would not be quantifiable nor crystallized.

We have been shown copies of various documents relating to the properties. However, we have not searched the original documents to verify any amendments which may not appear on the copies handed to us. Due to restrictions of the land registration system in the People's Republic of China (the "PRC"), we are unable to search the original documents to verify the existing title of the properties in the PRC or any material encumbrances that might be attached to the properties.

The scope of valuations has been determined with reference to the property list provided by the Company. The properties on the list have been included in this valuation certificate.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company 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 in this valuation certificates are in Hong Kong Dollars. The exchange rate adopted in our valuations of the property interests is the exchange rate prevailing as at the date of valuation being HK$1=RMB0.98 and there has been no significant fluctuation in the exchange rate between the date of valuation 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 Company 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
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
China Registered Real Estate Appraiser
Registered Business Valuer
B.Sc. MRICS MHKIS RPS MCIArb AHKIArb
Director

Note: Deret Au Chi Chung is a Registered Professional Surveyor and has over 15 years of experience in valuing the properties in Hong Kong and the properties of private and state-owned enterprises in over 100 towns and cities in the PRC (including Shanghai). He also possesses over 10 years of valuation experience in the Asia-Pacific region. His name is included on 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

Group I – Property interests held by the Group for investment in the PRC

	Property	Capital value in Existing state as at 30 June 2007 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	118,254,000
2.	Whole of Basement Level One and Ground Level and Advertising Space, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC.	146,119,000
	Total:	264,373,000

Group II – Property interests to be acquired by the Group in the PRC

	Property	Capital value in Existing state as at 30 June 2007 *(HK$)*
1.	Whole of Levels 14 and 15, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	30,943,000
2.	Whole of Levels 1 and 2, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	86,487,000
2.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	42,740,000
	Total:	160,170,000
	Grand Total:	424,543,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group for investment in PRC

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30 June 2007 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	The property comprises two commercial units on Mezzanine Level and advertising space of a 25-storey commercial building, which was completed in 1999. The commercial units of the property has a total gross floor area of 1,889.36 sq.m. and its break down is set out as follows: **Unit Gross** **Floor Area** 201 1,515.97 sq.m. 202 373.39 sq.m. The property is held under the land use rights for a term commencing from 5th November, 2004 to 21st October, 2044.	The property is currently rented to two third parties. *(see Notes 3 and 4 for details).*	118,254,000

Notes:

1. Unit 201 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038951 (上海市房地產權証－滬房地徐字(2004)第038951號) dated 5th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司).

2. Unit 202 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038949 (上海市房地產權証－滬房地徐字(2004)第038949 號) dated 8th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司).

3. Pursuant to a Leasing Contract and a Supplementary Agreement dated 22nd July, 2005 made between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) and Shanghai Taihe Advertising Co., Ltd. (上海泰和廣告有限公司) and a letter dated August, 2006 issued by Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), the former party agreed leasing Unit Nos. 201 and 202 on Mezzanine Level and portion of Level 1 of Yun Hai Building to the latter party for a term commencing from 22nd July, 2005 to 31st December, 2010. The rental income attributable to Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) for the first 24 months is RMB252,907.55. Commencing from the end of the first 24 months, the property is subject to a rental upwards adjustment of 5.5% in every two years.

   The rental income allocation ratio between the commercial units of the property and portion of Level 1 of Yun Hai Building is 65% and 35%, respectively.

4. Pursuant to a Leasing Contract for Building's Advertising Space (樓體廣告位租賃合同) dated 15th November, 2005 and a Supplementary Agreement dated 25th January, 2006 both made between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) and Shanghai Shi Yu Industry Co., Ltd. (上海仕昱實業有限公司) (formerly known as "Shanghai Mai Han Trading Co., Ltd. (上海邁漢貿易有限公司)"), the former party agreed leasing a part of the advertising space of the property to the latter party for a term of 3 years commencing from 20th November, 2005 to 19th November, 2008 at a monthly rental of RMB162,000 for the first year commencing from 20th November, 2005 to 19th November, 2006, RMB178,200 for the secong year commencing from 20th November, 2006 to 19th November, 2007 and RMB196,020 for the third year commencing from 20th November, 2007 to 19th November, 2008. The advertising space is located at portion of the external walls of the property.

5. Unit Nos. 201 and 202 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200604010699 (他項權利(抵押) – 徐 200604010699) registered on 23rd June, 2006.

6. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia that:

   (a) Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

   (b) Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) is the legal titler of the property and has fully settled the acquisition payment. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government and paying additional land premium.

   (c) Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property; and

   (d) The property is subject to the following Real Estate Mortgage Contracts (房地產抵押合同):

      (i) Pursuant to a Real Estate Mortgage Contract – DB212070153 (房地產抵押合同 -DB212070153) dated 7th July, 2007 made between Shanghai Bank, Jingan Sub-Branch (上海銀行靜安支行) and Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), the property was mortgaged to the former party as loan security for a term commencing from 11th July, 2007 to 11th July, 2017 at a loan amount of RMB 100,000,000; and

      (ii) The aforesaid Real Estate Mortgage Contract (房地產抵押合同) has been registered at Shanghai Real Estate Registry, Xuhui District (上海市徐匯區房地產登記處) on 11th July, 2007 under Registration Identification No.Xu 200704012699 (登記証明號 – 徐200704012699) and is not subject to maximum credit limit.

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30 June 2007 *(HK$)*
2.	Whole of Basement Level One and Ground Level and Advertising Space, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC.	The property comprises whole of Basement Level and Ground Level of a 5-storey (plus one basement level) commercial building, which was completed in 1997. The property has a total gross floor area of 3,732.33 sq.m. The property is held under the land use rights for a term commencing from 30th June, 2005 to 29th June, 2045.	The property is currently rented to two third parties. *(see Notes 3 and 6 for details)*.	146,119,000

Notes:

1. Basement Level One of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Pu Zi (2005) No. 032997 (上海市房地產權証－滬房地普字(2005)第032997號) dated 8th July, 2005 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司).

2. Ground Level of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Pu Zi (2005) No. 033005 (上海市房地產權証－滬房地普字(2005)第0330059號) dated 8th July, 2005 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司).

3. Pursuant to Leasing Contract dated 19th August, 2005 made between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) ("Party A")、Shanghai Yue Xuan Enterprise Development Co., Ltd. (上海悦軒企業發展有限公司)("Party B") Shanghai Mao Chen Industry Co., Ltd. (上海茂宸實業有限公司) ("Party C") and 上海帝賦苑餐飲娛樂管理有限公司) ("Party D"), the former three parties agreed leasing the whole 6 levels of building (including the Basement Level) located at Nos. 277 and 289, Lan Xi Road, Putuo District, Shanghai to the latter party for a term commencing from 29th July, 2005 to 31st March, 2015 at a monthly rental of RMB541,667 for the period commencing from 29th July, 2005 to 31st March. 2006, an annual rental of RMB6,500,000 for the second year commencing from 1st April, 2006 to 31st March, 2007 and subsequent annual rental increment of RMB200,000 thereafter until the lease expiration date.

4. Pursuant to a Rent Agreement (租金協議) dated 25th December. 2005 made among Party A, Party B and Party C, Parties A, B and C are attributable to the monthly rental income of RMB270,000, RMB150,000 and RMB121,667, respectively, commencing from January, 2006.

5. Pursuant to a Rent Agreement (租金協議) dated 17th August. 2006 made among Party A, Party B and Party C, Parties A, B and C are attributable to the monthly rental income at the percentages of 55.4%, 27.7% and 16.9%, respectively, commencing from 1st January, 2007 to 31st March, 2015.

6. Pursuant to a Leasing Contract for Building's Advertising Space (樓體廣告位租賃合同) dated 12th December, 2005 and a Supplementary Agreement dated 20th January, 2006 made between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) and Shan Ban Jin Qi Yuan Trading Co., Ltd. (上班金啟淵貿易有限公司), the former party agreed leasing a part of the roof of the property and a part of the Advertising space to the latter party for a term of 5 years commencing from 15th December, 2005 to 14th December, 2010 at a monthly rental of RMB188,000 for the first year commencing from 15th December, 2005 to 14th December, 2006, RMB206,800 for the second year commencing from 15th December, 2006 to 14th December, 2007, RMB227,480 for the third year commencing from 20th November, 2007 to 19th November, 2008, RMB250,228 for the fourth year commencing from 15th December, 2008 to 14th December, 2009 and RMB275,250.8 for the fifth year commencing from 15th December, 2009 to 14th December, 2010. The Advertising space is located at portion of the external walls of Basement Level One, Ground Floor and the legally authorized portions of external walls of Levels 1, 2, 3, 4 and 5 plus their extension.

7. The property is subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200507031948 (他項權利(抵押)－徐200507031948 registered on 27th July, 2005.

8. It is stated in legal opinion given by the Company's PRC legal advisers, inter alia that:

(a) Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) lawfully possesses, occupies and uses the property;

(b) Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) is the legal titler of the property and fully settled acquisition payment. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government.

(c) Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property; and

(d) The property is subject to the following Real Estate Mortgage Contracts (房地產抵押合同):

(i) Pursuant to a Real Estate Mortgage Contract – DB212070153 (房地產抵押合同 – DB212070153) dated 7th July, 2007 made between Shanghai Bank, Jingan Sub- Branch (上海銀行靜安支行) and Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), the property was mortgaged to the former party as loan security for a term commencing from 11th July, 2007 to 11th July, 2017 at a loan amount of RMB 100,000,000; and

(ii) The aforesaid Real Estate Mortgage Contract (房地產抵押合同) has been registered at Shanghai Real Estate Registry, Putuo District (上海市普陀區房地產登記處) on 25th July, 2007 under Registration Identification No.Pu 200707020673 (登記証明號－普200707020673) and is not subject to maximum credit limit.

Group II – Property interests to be acquired by the Group in PRC

	Property	Description and tenure	Particulars of tenancy/ occupancy	Capital value in existing state as at 30 June 2007 *(HK$)*
1.	Whole of Levels 14 and 15, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	The property comprises whole of two office floors on Levels 14 and 15 of a 24-storey commercial building, which was completed in 1999. The property has a total gross floor area of 2,062.83 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 14 1,031.42 sq.m. Level 15 1,031.41 sq.m. The property is held under the land use rights for a term commencing from 26th May, 2004 to 25th May, 2054.	Level 14 of the property was leased to a third party for a term of 1 year commencing from 1st January, 2007 to 31st December, 2007 at a monthly rental of RMB300,000 exclusive of water, electricity, gas, telephone, cable television, hygiene and management charges. *(see Note 6)*. Level 15 of the property is currently owner-occupied for office purposes.	30,943,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同dated 28th April, 2004 made between Shanghai Qiang Sheng Group Co., Ltd. (上海強生集團有限公司) and Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司), the latter party agreed to acquire the property at a consideration of RMB29,911,035.

2. The property is subject a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No.019685 (上海市房地產權証－滬房地徐字(2004)第019685號) dated 28th May, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源 管理局) to Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司).

3. Pursuant to a Real Estate Maximum Amount Mortgage Contract – 18002064110005 (房地產最高額抵押合同－18002064110005) dated 25th February, 2007 made between Shanghai Rural Commercial Bank, Pudong Sub-Branch (上海農村商業銀行浦東支行) and Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司), the property was mortgaged to the former party as loan security for a term commencing from 16th January, 2007 to 15th January, 2009 at a maximum outstanding credit amount of RMB45,000,000.

4. Pursuant to a Loan Contract – 18002074010005 (借款合同－18002074010005) dated 22nd January, 2007 made between between Shanghai Rural Commercial Bank, Pudong Sub-Branch (上海農村商業銀行浦東支行) and Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司), the former party agreed to give a loan to the latter party for a term commencing from 22nd January, 2007 to 11th January, 2008 in the amount of RMB20,000,000 subject to Real Estate Maximum Amount Mortgage Contract – 18002064110005 (房地產最高額抵押合同 – 18002064110005).

5. The property is subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200604001878 (他項權利[抵押]－徐200604001878) registered on 14th February, 2006.

6. Pursuant to a Leasing Termination Agreement (租賃合同終止協議書) dated 1st July, 2007 made between Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司) and Shanghai Xiang Chen Hang Place The Industry Co., Limited. (上海祥宸行置業有限公司), both parties agreed to terminate the tenancy agreement. Level 14 of the property is currently vacant.

7. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia, that:

   (a) Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司) is the lawful realty rights holder of the property and owns the possession and disposal rights;

   (b) The loan amount of the aforesaid Loan Contract does not exceed the maximum credit limit as stated in the Real Estate Maximum Amount Mortgage Contract; and

   (c) The lease contract of Level 14 has not been filed but it does not affect the legality of the lease contract;

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30 June 2007 *(HK$)*
2.	Whole of Levels 1 and 2, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 1 and 2 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,352.14 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 1 1,238.57 sq.m. Level 2 1,113.57 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants (see Notes 5-8).	86,487,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同dated 4th February, 2005 made between Shanghai Yuchen Investment Ltd. (上海煜辰投資有限責任公司) and Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司), the latter party agreed to acquire Level 1 of the property at a consideration of RMB33,439,536.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同dated 4th February, 2005 made between Shanghai Yuchen Investment Ltd. (上海煜辰投資有限責任公司) and Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司), the latter party agreed to acquire Level 2 of the property at a consideration of RMB17,069,915.

3. Level 1 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2005) No. 003754 (上海市房地產權証－滬房地靜字(2005)第003754 號) dated 16th March, 2005 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房 屋土地資源管理局) to Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司).

4. Level 2 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2005) No. 003753 (上海市房地產權証－滬房地靜字(2005)第003753 號) dated 16th March, 2005 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房 屋土地資源管理局) to Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司).

5. Pursuant to a Commercial Property's Advertising Board Lease Contract (商業物業廣告位租賃合同) dated 21st March, 2007 made between Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) and Shanghai Ming Jie Advertising Co., Ltd. (上海明捷廣告有限公司), the former agreed to lease the advertising space on Levels 1 and 2 to the latter party for a term of 2 years commencing from 23rd March, 2007 and 22nd March, 2009 subject to the rental payment of RMB900,000 on 22nd September, 2007 for the first six months and quarterly rental of RMB450,000 payable in arrear.

6. Pursuant to a Shanghai Municipality Real Estate Lease Contract and the supplementary clauses dated 27th February, 2006 made between Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) and Pan Zhi Qiang (潘志強), the latter party agreed to rent Unit A on Level 1 and Unit A on Level 2 having a total lettable area of 657.82 and Unit A on Level 3 having a lettable area of 546.45 sq.m., from the former party as sauna and entertainment centre for a term of 10 years commencing from 1st March, 2006 to 29th February, 2016 at a total monthly rent of RMB108000 (RMB70,000 for Unit A on Level 1 and Unit A on Level 2 and RMB38,000 for Unit A on Level 3) for the period between 1st March, 2006 to 29th February, 2008. Commencing from 1st March, 2008, the tenancy shall be subject to an annual upwards rental adjustment of 3%. The rental payments are exclusive of, water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

7. Pursuant to a Shanghai Municipality Real Estate Lease Contract and the supplementary clauses dated 1st April, 2005 made between Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) and Yu Feng (虞峰), the latter party agreed to rent Unit B on Level 1 and Unit B on Level 2, having a total lettable area of 1,694.32 sq.m., from the former party as restaurant for a term of 12 years commencing from 5th April, 2005 to 4th April, 2017 at a monthly rent of RMB294,205.83 for the period between 5th April, 2005 to 4th April, 2008. Commencing from 5th April, 2008, the tenancy shall be subject to an annual upwards rental adjustment of 3%. The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tax and car-parking charges and other outgoings.

8. Pursuant to a Supplementary Agreement made among Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) ("Party A"), Shanghai Haoyin Lou Dining Administration Co., Ltd. (上海豪宴樓餐飲管理有限公司) ("Party B") and Yu Feng (虞峰) ("Party C"), Party B agreed to take over the responsibility and obligation borne by Party C in accordance with the aforesaid lease contract (see Note 7) made between Party A and Party C on 1st April, 2005.

9. Pursuant to a Real Estate Maximum Amount Mortgage Contract – 2D9804200728055101 (房地產最高額抵押合同 － 2D9804200728055101) dated 28th March, 2007 made between Shanghai Pudong Development Bank Co., Ltd., Wei Gao Qiao Bond Zone Sub-Branch (上海浦東發展銀行 外高橋保税區支行) and Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司), Levels 1 and 2 of the property were mortgaged to the former party as loan security for a term commencing from 28th March, 2007 to 30th April, 2010 at a maximum outstanding credit amount of RMB62,000,000.

10. Pursuant to a Short-term Loan Contract – 98042007280551 (短期貸款合同－98042007280551) dated 28th March, 2007 made between Shanghai Pudong Development Bank Co., Ltd., Wei Gao Qiao Bond Zone Sub-Branch (上海浦東發展銀行外高橋保税區支行) and Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司), the former party agreed to give a loan to the latter party for a term commencing from 4th April, 2007 to 3rd April, 2008 in the amount of RMB62,000,000 subject to Real Estate Maximum Amount Mortgage Contract －2D9804200728055101 (房地產最高額抵押合同－2D9804200728055101).

11. Levels 1 and 2 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Jing 200706001548 (他項權利[抵押] R200706001548) registered on 2nd April, 2007.

12. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia, that:

    (a) Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) is the lawful realty rights holder of the property and owns the possession and disposal rights;

    (b) The loan amount of the aforesaid Loan Contract does not exceed the maximum credit limit as stated in the Real Estate Maximum Amount Mortgage Contract; and

    (c) The aforesaid lease contracts are not illegal;

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30 June 2007 *(HK$)*
3.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 3 and 4 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,762.13 sq.m. and its breakdown is set out as follows: **Level** **Gross Floor Area** Level 3 1,346.60 sq.m. Level 4 1,415.53 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 5-8)*.	42,740,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同dated 4th February, 2005 made between Shanghai Yuchen Investment Ltd. (上海煜辰投資有限責任公司) and Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司), the latter party agreed to acquire Level 3 of the property at a consideration of RMB16,462,185.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同dated 4th February, 2005 made between Shanghai Yuchen Investment Ltd. (上海煜辰投資有限責任公司) and Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司), the latter party agreed to acquire Level 4 of the property at a consideration of RMB15,528,364.

3. Level 3 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2006) No. 002070 (上海市房地產權証一滬房地靜字(2006)第002070號) dated 7th March, 2006 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)).

4. Level 4 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2006) No. 002069 (上海市房地產權証一滬房地靜字(2006)第002069號) dated 7th March, 2006 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房 屋土地資源管理局) to Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)).

5. Pursuant to a Commercial Property's Advertising Board Lease Contract (商業物業廣告位租賃合同) dated 21st March, 2007 made between Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)) and Shanghai Ming Jie Advertising Co., Ltd. (上海明捷廣告有限公司), the former agreed to lease the advertising space on Levels 3 and 4 to the latter party for a term of 2 years commencing from 23rd March, 2007 and 22nd March, 2009 subject to the rental payment of RMB600,000 on 22nd September, 2007 for the first six months and quarterly rental of RMB300,000 payable in arrear.

6. Pursuant to a Shanghai Municipality Real Estate Lease Contract and the supplementary clauses dated 27th February, 2006 made between Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) and Pan Zhi Qiang (潘志強), the latter party agreed to rent Unit A on Level 1 and Unit A on Level 2 having a total lettable area of 657.82 and Unit A on Level 3 having a lettable area of 546.45 sq.m., from the former party as sauna and entertainment centre for a term of 10 years commencing from 1st March, 2006 to 29th February, 2016 at a total monthly rent of RMB108000 (RMB70,000 for Unit A on Level 1 and Unit A on Level 2 and RMB38,000 for Unit A on Level 3) for the period between 1st March, 2006 to 29th February, 2008. Commencing from 1st March, 2008, the tenancy shall be subject to an annual upwards rental adjustment of 3%. The rental payments are exclusive of, water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

7. Pursuant to a Shanghai Municipality Real Estate Lease Contract and the supplementary clauses dated 1st April, 2005 made between Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司) and Yu Feng (虞峰), the latter party agreed to rent Unit B on Level 3 and Unit B on Level 4, having a total lettable area of 2,215.68 sq.m., from the former party as restaurant for a term of 12 years commencing from 5th April, 2005 to 4th April, 2017 at a monthly rent of RMB164,127.47 for the period between 5th April, 2005 to 4th April, 2008. Commencing from 5th April, 2008, the tenancy shall be subject to an annual upwards rental adjustment of 3%. The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tax and car-parking charges and other outgoings.

8. Pursuant to a Supplementary Agreement made among Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司) ("Party A"), Shanghai Haoyin Lou Dining Administration Co., Ltd. (上海豪宴樓餐飲管理有限公司) ("Party B") and Yu Feng (虞峰)("Party C"), Party B agreed to take over the responsibility and obligation borne by Party C in accordance with the aforesaid lease contract (see Note 7) made between Party A and Party C on 1st April, 2005.

9. Pursuant to a Real Estate Maximum Amount Mortgage Contract – 1677050008 (房地產最高額抵押合同－1677050008) dated 8th November, 2005 made between Bank of Shanghai (上海銀行) and Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司), Levels 3 and 4 of the property were mortgaged to the former party as loan security for a term commencing from 20th May, 2005 to 19th May, 2008 at a maximum outstanding credit amount of RMB50,000,000.

10. Pursuant to a Loan Contract – 216070230 (借款合同 - 216070230) dated 28th April, 2007 made between Bank of Shanghai (上海銀行) and Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)), the former party agreed to give a loan to the latter party for a term commencing from 28th April, 2007 to 28th April, 2008 in the amount of RMB20,000,000 subject to Real Estate Maximum Amount Mortgage Contract – 1677050008 (房地產最高額抵押合同 - 1677050008).

11. Pursuant to a Loan Contract – 216070243 (借款合同 - 216070243) dated 9th May, 2007 made between Bank of Shanghai (上海銀行) and Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)), the former party agreed to give a loan to the latter party for a term commencing from 9th May, 2007 to 9th May, 2008 in the amount of RMB18,000,000 subject to Real Estate Maximum Amount Mortgage Contract – 1677050008 (房地產最高額抵押合同 - 1677050008).

12. Pursuant to a Loan Contract – 216070244 (借款合同 - 216070244) dated 11th May, 2007 made between Bank of Shanghai (上海銀行) and Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)), the former party agreed to give a loan to the latter party for a term commencing from 11th May, 2007 to 11th May, 2008 in the amount of RMB11,000,000 subject to Real Estate Maximum Amount Mortgage Contract – 1677050008 (房地產最高額抵押合同－1677050008).

13. Levels 3 and 4 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Jing 200506009997 (他項權利[抵押] －靜200506009997) registered on 8th November, 2005.

14. Pursuant to an Approval Letter for Change of Company Name – Hu Gong Shang Zhu Ming Shi He Zi No.01200611170273 (企業名稱變更核准通知書 － 滬工商註名實核字第01200611170273 號) dated 14th December, 2005 issued by Shanghai Administration of Industry and Commerce, Hongkou Sub-bureau (上海市工商行政管理虹口分局), the company name of Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司) was agreed to change to Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司).

15. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia, that:

    (a) Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) (formerly known as Shanghai Bao Han Si Steel – Selling Co., Ltd. (上海寶翰司鋼材銷售有限公司)) is the lawful realty rights holder of the property and owns the possession and disposal rights;

    (b) The loan amount of the aforesaid Loan Contract does not exceed the maximum credit limit as stated in the Real Estate Maximum Amount Mortgage Contract; and

    (c) The aforesaid lease contracts are not illegal.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takecovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to Profit Key and its associates) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than information relating to Profit Key and its associates) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular (other than information relating to Profit Key and its associates) misleading.

The sole director of Profit Key accepts full responsibility for the accuracy of the information relating to Profit Key and its associates contained in this circular and confirms having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this circular relating to Profit Key and its associates have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement relating to Profit Key and its associates in this circular misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Open Offer (assuming no outstanding Share Options are exercised on or before the Record Date) and increase in authorised share capital becoming effective will be, as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
1,500,000,000	Shares	15,000,000.00
Issued and fully paid or credited as fully paid:		
419,392,885.25	Shares	4,193,928.85

Upon completion of the Open Offer and the increase in authorised share capital becoming effective

Authorised:		*HK$*
3,500,000,000	Shares	35,000,000.00
Issued and fully paid or credited as fully paid:		
419,392,885.25	Shares	4,193,928.85
1,258,178,655.75	Offer Shares	12,581,786.56
1,677,571,541.00	Shares	16,775,715.41

No Shares have been issued since 31 March 2007 (i.e. the end of the last financial year of the Company).

All the existing Shares in issue will rank pari passu in all respects with each other including as regards rights to dividends, voting and return of capital.

Save for the outstanding Share Options, the Company has no other options, warrants, derivatives and conversion rights in issue affecting the existing Shares.

When issued and fully paid, the Offer Shares will rank pari passu in all respects with the Shares then in issue. Holders of Offer Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares.

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 or chief executives and their associates 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 were as follows:

Long position in the Shares

Name of Director	Number of Shares	Type of interests	Approximate percentage of Company's issued Shares
Zhao Qing Ji (Note)	629,089,327.75	Through a controlled corporation	37.50%

Note: Profit Key, wholly-owned by Mr. Zhao, has undertaken to subscribe for, or procure subscription of, up to 629,089,327.75 Underwritten Shares not being taken up pursuant to the Underwriting Agreement. As such, Mr. Zhao is deemed to be interested in 629,089,327.75 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(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 meeting of any member of the Group:

	Capacity and nature of interest	**Number of Shares held**	**Approximate percentage of the Company's issued share capital**
Win Channel Investments Limited *(Note 1)*	Directly beneficially owned	65,000,000	15.50%
Chim Pui Chung *(Note 1)*	Through a controlled corporation	65,000,000	15.50%
Pan Chien Pu	Directly beneficially owned	58,000,000	13.83%
Easy Huge Holdings Limited *(Note 2)*	Directly beneficially owned	48,000,000	11.45%
Ng Kin Wah *(Note 2)*	Through a controlled corporation	48,000,000	11.45%
Profit Key *(Note 3)*	Other *(Note 3)*	629,089,327.75	37.50%

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.

Note 3: Profit Key, wholly-owned by Mr. Zhao, has undertaken to subscribe for, or procure subscription of, up to 629,089,327.75 Underwritten Shares not being taken up pursuant to the Underwriting Agreement. As such, Profit Key is deemed to be interested in 629,089,327.75 Shares under the SFO.

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 were as follows:

Name or category of participant	Number of share options	Date of grant	Exercise period	Exercise Price per Share *HK$* *(Note)*
Employee				
Other employee	850,000	30-10-2002	30-10-2002 to 29-10-2012	0.2
Total share options	850,000			

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 date of the Acquisitions Announcement, 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) an agreement dated 8 July 2006 between the Northern Industrial (Panyu) Co., Ltd. a wholly-owned subsidiary which the Company disposed in March 2007 and the 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 in relation the sale of 中國廣東省番禺區魚窩頭沙灣大橋南岸東側的北方工業城(Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the PRC) at the consideration of RMB75,000,000;

(2) a sale and purchase agreement dated 21 August 2006 (the "Luck Grow Agreement") entered into between the Company and Mr. Xu Dong in relation to the acquisition by the Company for the entire issued share capital of Luck Grow Group Limited and the liabilities owing, and incurring by Luck Grow Group Limited and Shanghai Xiang Chen Hang Place The Industry Co. Limited, both of which were wholly-owned by Mr. Xu Dong before completion of Luck Grow Agreement to Mr. Xu Dong as at the date of completion of such sale and purchase agreement at consideration of HK$182,504,072. Please refer to the announcement of the Company dated 5 September 2006 and the circular of the Company dated 31 October 2006 for details. No particular of consideration passing to or from any member of the Group;

(3) the sale and purchase agreement (the "Disposal Agreement") dated 7 February 2007 entered into between the Company and Mr. Chong Sing Yuen, the ex-Director, in relation to the sale and purchase of (i) one ordinary share of US$1 par value each in the issued share capital of

Asian Field Holdings Corp. (Mr. Chong Sing Yuen was its director as at the date of the Disposal Agreement) as at the date of such agreement; and (ii) the one new share of Asian Field Holdings Corp. with par value of US$1 each to be allotted and issued to the Company at a consideration equivalent to the value of the consolidated net liabilities (if any) of the Asian Field Holdings Corp. and its subsidiaries as at 31 January 2007 (if any); and (ii) the benefit of and the interest in all obligations, liabilities and debts owing and incurring by Asian Field Holdings Corp. to the Company as at the date of completion of such agreement (after netting of the amount capitalised (if any)) at consideration of HK$2. Please refer to the announcement of the Company dated 12 February 2007 and the circular of the Company dated 6 March 2007 for details. No particular of consideration passing to or from any member of the Group;

(4) the S&P Agreements;

(5) the First Underwriting Agreement;

(6) the Deed of Termination; and

(7) the Underwriting Agreement.

SHAREHOLDINGS AND DEALINGS

(a) Save for the 58,000,000 Shares held by Pan Chien Pu, none of Profit Key, its concert parties and any of their respective directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the period starting six months prior to 24 July 2007 (being the date of the Open Offer Announcement) and ending on the Latest Practicable Date.

(b) No person with whom Profit Key or its concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the period starting six months prior to 24 July 2007 (being the date of the Open Offer Announcement) and ending on the Latest Practicable Date.

(c) No person with whom Profit Key or its concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associates.

(d) Neither Oriental Patron nor CCIF nor any other advisers to the Company as specified in class (2) of the definition of associate (excluding exempt principal traders) in the Takeovers Code, their respective ultimate holding companies, nor any of their respective subsidiaries or fellow subsidiaries owned or controlled any Shares, convertibles securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.

(e) No subsidiary of the Company or a pension fund of the Company or of its subsidiaries owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.

(f) No fund manager (other than exempt fund manager) connected with the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.

(g) At no time during the period commencing six months prior to 24 July 2007 (being the date of the Open Offer Announcement) and ending on the Latest Practicable Date was any member of the Group a party to any arrangement to enable the Directors and their associates to acquire benefits by means of the acquisition of the Shares or any other body corporate.

(h) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between Profit Key or any of its concert parties and other persons in relation to the transfer, change or pledge of the Offer Shares that may be subscribed by Profit Key or any of its concert parties under the Underwriting Agreement.

(i) As at the Latest Practicable Date, Mr. Zhao, a Director, wholly owned the interests in Profit Key. Save as disclosed, none of the Company and the Directors held any shares of Profit Key and had dealt for value in any shares of Profit Key for the period between the date falling 6 months prior to 24 July 2007 (being the date of the Open Offer Announcement) and the Latest Practicable Date.

MARKET PRICES

(a) The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the six calendar months immediately preceding 24 July 2007 (being the date of the Open Offer Announcement); (ii) the Last Trading Day; (iii) the last full trading day immediate preceding the Latest Practicable Date; and (iv) the last trading day immediate preceding the Latest Practicable Date:

Date	**Closing price** *HK$*
31 January 2007	0.36
28 February 2007	0.38
30 March 2007	0.50
30 April 2007	0.51
31 May 2007	0.62
29 June 2007	0.72
10 July 2007 (being the Last Trading Day)	0.71
31 July 2007	1.56
9 August 2007, last full trading day immediately preceding the Latest Practicable Date *(Note)*	1.07
10 August 2007, last trading day immediately preceding the latest Practicable Date *(Note)*	0.99

(b) The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the period between 24 January 2007 (being the date six months prior to the date of the Open Offer Announcement) and the Latest Practicable Date (both dates inclusive) were HK$1.61 on 30 July 2007 and HK$0.32 on 25 January 2007 respectively.

Note: Due to the tropical cyclone warning number 8, the market was closed at 2:45 p.m. on Friday, 10 August 2007, the last trading day immediate preceding the Latest Practicable Date, which is Saturday.

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.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group or any associated company of the Company:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within six months prior to 24 July 2007 (being the date of the Open Offer Announcement);

(ii) which are continuous contracts with a notice period of 12 months or more; or

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

DIRECTORS' INTEREST IN ASSETS, CONTRACT OR ARRANGEMENT

None of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, 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. As at the Latest Practicable Date, save for Mr. Zhao acting as a guarantor in the First Underwriting Agreement, the Deed of Termination and the Underwriting Agreement, none of the Directors 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.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or 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	Registered Professional Surveyors
Oriental Patron	Corporation licensed under the SFO to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

(b) Neither CCIF, Castores nor Oriental Patron 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, Castores and Oriental Patron has given and has 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, Castores nor Oriental Patron has any direct or indirect interest in any assets which have been, since 31 March 2007 (being the date to which the latest published audited consolidated 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.

GENERAL

(a) The head office and the principal place of business of the Company in Hong Kong is at Room 2001, 20/F Lippo Centre Tower Two 89 Queensway Hong Kong. The registered office of the Company is at Clarendon House, Church Street, Hamilton HM11, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

(b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Open Offer and the Whitewash Waiver or otherwise connected with the Open Offer and the Whitewash Waiver.

(c) The address of Profit Key is Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands. The address of VXL Financial Services Limited (to be re-named as Optima Capital Limited) is Unit 3618, 36th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(d) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between Profit Key or its concert parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer and the Whitewash Waiver.

(e) Profit Key is wholly and beneficially owned by Mr. Zhao Qing Ji who is the sole director thereof.

(f) It is the intention of Profit Key that the Group will continue its current business. The Group also intends to use the net proceed raised from the Open Offer for the repayment of the promissory notes and for general working capital purpose. Profit Key has no intention to make any major changes to the business or employment of the employees of the Group or redeploy of the fixed assets of the Group.

(g) In deciding to support the Open Offer by way of acting as the underwriter to the Open Offer, Profit Key believes that the Open Offer would strengthen the Group's financial position and enlarge its capital base. This in turn would enhance the value of Shareholders' investment in the Group in the long run.

(h) As at the Latest Practicable Date, no Directors or Independent Shareholders had irrevocably committed themselves to vote for or against the Open Offer or the Whitewash Waiver.

MISCELLANEOUS

(a) As at the Latest Practicable Date, there was no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer and Whitewash Waiver.

(b) Saved for the Underwriting Agreement, there were no contract or agreement entered into by Profit Key or any member of the Group subsisting as at the Latest Practicable Date in which any of the Directors has a material personal interest and which is significant in relation to the business of the Group as a whole.

(c) The company secretary and qualified accountant of the Company is Ong King Keung who is an associate member of Hong Kong Institute of Certified Public Accountants.

(d) This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website *www.northern.com.hk* of the Company and *www.sfc.hk* of the SFC and during normal business hours at the Hong Kong principal office of the Company at Room 2001, 20/F, Lippo Centre, Tower Two, 89 Queensway, Hong Kong, up to and including the date of the SGM, being 31 August 2007:

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

(b) the annual reports of the Company for each of the financial years ended 31 March 2006 and 2007 respectively;

(c) the financial information of the Subject Properties, the text of which is set out in Appendix II to this circular;

(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 section headed “Material contracts” in this appendix;

(f) the reports from CCIF CPA Limited on the unaudited pro forma financial information on the Group, the text of which is set out in Appendix III to this circular;

(g) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which have been issued by the Company since 31 March 2007 (the date to which the latest published audited consolidated financial statements of the Group were made up);

(h) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 30 in this circular;

(i) the letter of advice from Oriental Patron to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 47 in this circular; and

(j) the property valuation report prepared by Castores, the text of which is set out in Appendix IV 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 (the "**Meeting**") of Northern International Holdings Limited (the "**Company**") will be held on 31 August 2007 at 9:30 a.m. at Falcon Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement (the "**First Agreement**") dated 10 July 2007 and entered into between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) as purchaser and Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) as vendor in relation to the sale and purchase of the property comprising whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the People's Republic of China (the "**PRC**") at a total consideration of HK$86,487,000, a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary or expedient for the implementation of and giving effect to the First Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the conditional sale and purchase agreement (the "**Second Agreement**") dated 10 July 2007 and entered into between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) as purchaser and Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) as vendor in relation to the sale and purchase of the property comprising whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC at a total consideration of HK$42,740,000, a copy of which has been produced to the Meeting marked "B" and signed by the chairman of the Meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

* *For identification purpose only*

(b) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary or expedient for the implementation of and giving effect to the Second Agreement and the transactions contemplated thereunder."

3. "**THAT**

(a) the conditional sale and purchase agreement (the "**Third Agreement**") dated 10 July 2007 and entered into between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) as purchaser and Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司) as vendor in relation to the sale and purchase of the property comprising whole of two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC at a total consideration of HK$30,871,000, a copy of which has been produced to the Meeting marked "C" and signed by the chairman of the Meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary or expedient for the implementation of and giving effect to the Third Agreement and the transactions contemplated thereunder."

4. "**THAT**

(a) the authorized share capital of the Company be and is hereby increased from HK$15,000,000 divided into 1,500,000,000 shares of HK$0.01 each ("**Shares**") to HK$35,000,000 divided into 3,500,000,000 Shares by the creation of an additional 2,000,000,000 Shares (the "**Proposed Increase in Authorized Share Capital**"); and

(b) any one or more of the Directors be and is/are hereby authorized for and on behalf of the Company to execute all such 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 and for completion of the Proposed Increase in Authorized Share Capital."

5. "**THAT** subject to the fulfillment of the conditions, including the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Open Offer Shares (as defined below) in their fully paid forms to be allotted and issued to the shareholders of the Company (the "**Shareholders**") pursuant to the terms and conditions of the Open Offer (as defined below), as set out in the underwriting agreement (the "**Underwriting Agreement**" including, if any, all supplemental agreements relating thereto, a copy of which has been produced to the Meeting marked "D" and signed by the chairman of the Meeting for the purpose of identification) dated 24 July 2007 and entered into among

the Company, Profit Key Group Limited ("**Profit Key**"), VC Brokerage Limited ("**VC Brokerage**", together with Profit Key, the "**Underwriters**") and Mr. Zhao Qing Ji and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the third business day after the last day for acceptance of Open Offer Shares (as defined below),

(i) the issue by way of open offer (the "**Open Offer**") of 1,258,178,655.75 Shares (the "**Open Offer Shares**") to the Shareholders whose names appear on the register of members of the Company on 31 August 2007 (excluding those Shareholders (the "**Excluded Shareholders**") with registered addresses as shown in the register of members of the Company on the date are outside Hong Kong whom the board of Directors consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those Excluded Shareholders reside) on the basis of three Open Offer Shares for every Share then held and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 14 August 2007, a copy of which has been produced to the Meeting marked "E" and signed by the chairman of the Meeting for the purpose of identification) despatched by the Company to the Shareholders be and is hereby approved;

(ii) the Directors be and are hereby authorised to allot and issue the Open Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;

(iii) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Open Offer Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified;

(iv) the absence of arrangements for application for the Open Offer Shares by the Shareholders in excess of their entitlements under the Open Offer as referred to in Rule 7.26A of the Rules Governing the Listing of Securities on the Stock Exchange be and the same is hereby approved, confirmed and ratified; and

(v) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder."

6. "**THAT** subject to the passing of the ordinary resolution numbered 5 set out above, the terms of the application for a waiver granted or to be granted by the Securities and Futures Commission of Hong Kong to Profit Key together with the parties acting in concert with it pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the waiver of the obligation of Profit Key and parties acting in concert with it to make a mandatory offer for all the Shares not already owned or agreed to be acquired by them (the "**Whitewash Waiver**") be and is hereby approved and that the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Whitewash Waiver."

On behalf of the board of Directors
Northern International Holdings Limited
Zhao Qing Ji
Chairman

Hong Kong, 14 August 2007

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 2001, 20/F
Lippo Centre
Tower Two
89 Queensway
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.

2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof should he so wish.

3. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.