Superior Fastening Technology Limited

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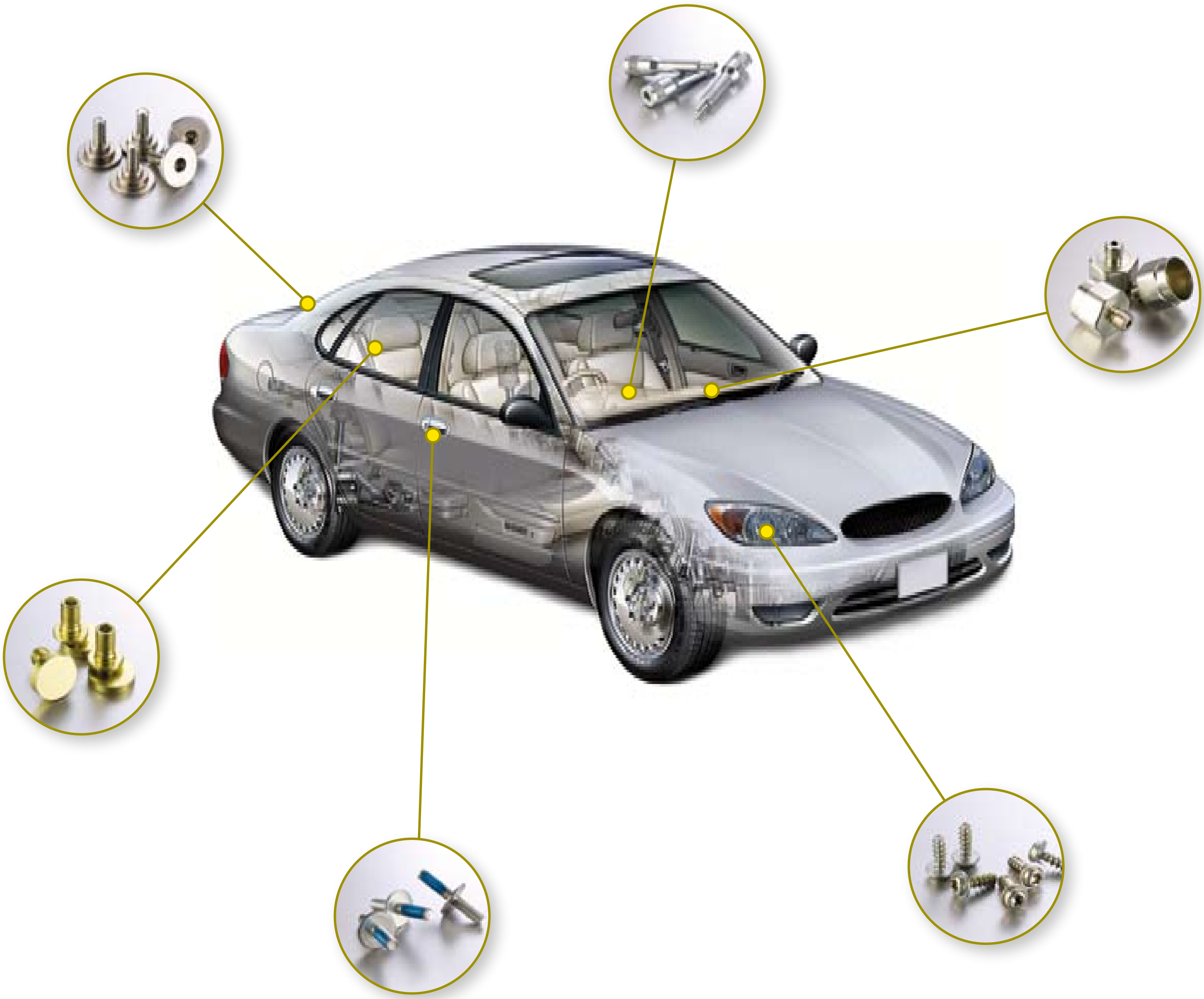
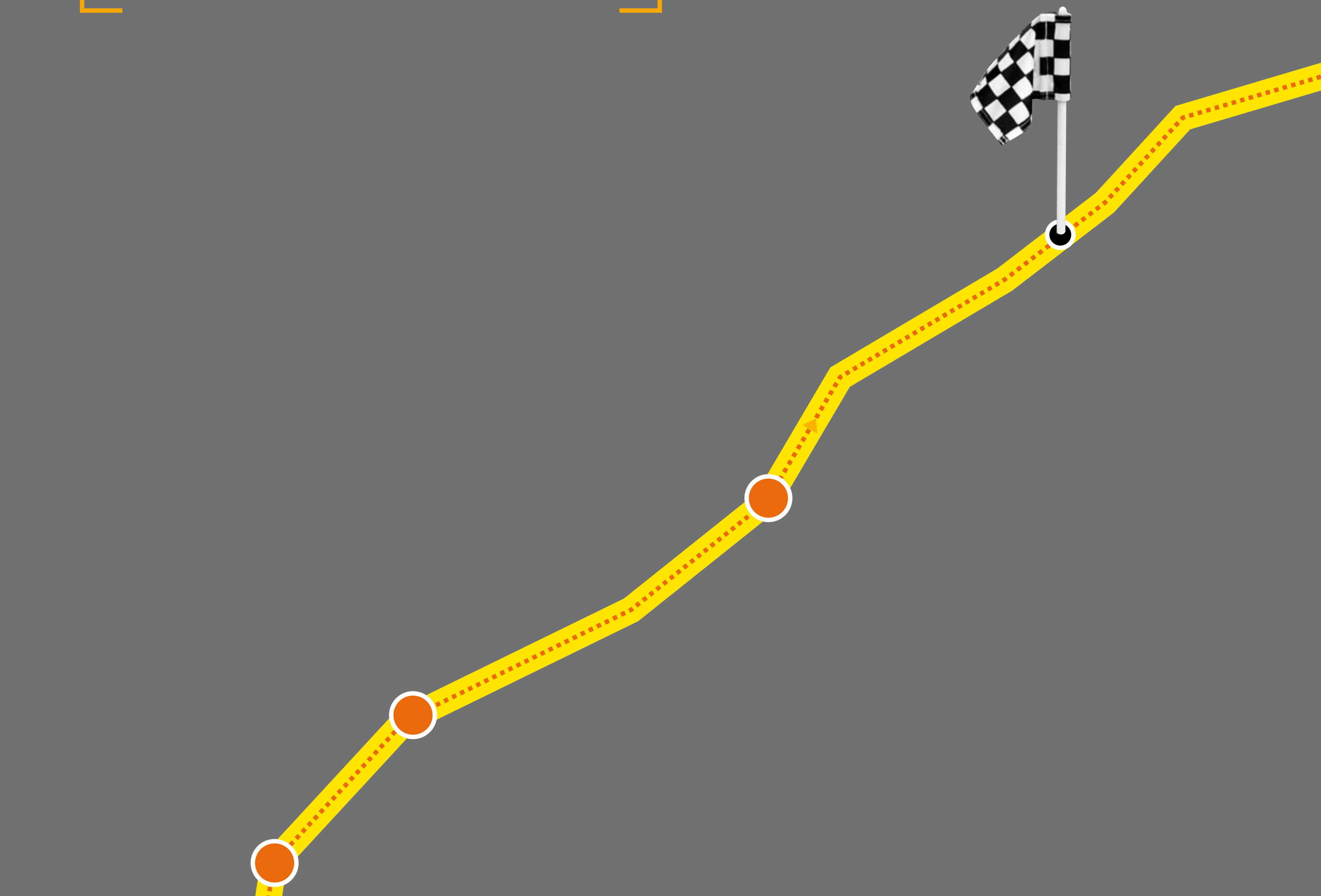
Superior Fastening Technology Limited

Annual Report **2007**

Formula for **Success**



Mission Statement



The Chequered Flag
– What we aim for

To be a world-class manufacturer of metallic fasteners with fully integrated metal-forming, metallurgy and surface treatment capabilities.

To engage customers with constant improvements in technology, quality standards and competitiveness.

Machine Screws

Self-Tapping Screws

Multiple Stages Screws

CONTENTS

Leveraging on capabilities in manufacturing processes to improve operational efficiency, the Group continues its emphasis on product quality as a leading manufacturer of high-quality fasteners and metallic accessories.

Corporate Profile

Since the Group was founded in Hong Kong in 1988 by Mr Lam Tak Shing and Mr Tang Yuk Fung, Superior Fastening Technology Limited has specialized in the design and manufacture of high quality metallic fasteners and accessories.

During the last 18 years it has grown to become a leading manufacturer of metallic fastener products supplying global customers from a diverse range of industries including consumer electronics, business equipment and automotive. Superior Fastening incorporates fully integrated metal-forming, metallurgy, surface and heat treatment capabilities from which it derives a competitive advantage. This allows the Group to effectively manage each phase of the manufacturing process and reduce supply chain costs to the benefit of its customers and suppliers.

Superior Fastening took a step further in its corporate development when it was listed as a public company and debuted on the SGX-SESDAQ in December 2003. From its corporate headquarters in Hong Kong, our Group now has a representative sales office in Singapore and operates two manufacturing facilities in Huizhou and Shanghai in the PRC.

A Changing Focus

Initially the Group focussed on supplying fasteners for the audio and video cassette sector. However, as products passed their demand peak and moved into the 'sunset technology' phase, demand began to decline as a result of the introduction of new technologies. Superior Fastening anticipated this core shift in its customers' requirements and diversified its product range accordingly, changing their focus to these emerging technologies.

Today, the Group's high quality fastener products are used across a wide range of industries; from telecommunication products such as mobile phones and personal digital assistants, computing, imaging and printing devices and LCD televisions, to automobile micro products like motors and electrical assemblies in car doors and power windows, and even personal care products such as electric razors.

Superior Fastening's customer base spans Asia, Europe, North, Central & South America and the Middle East. We typically supply Contract Manufacturers (CMs), Electronics Manufacturing Services (EMSs) providers for multinational corporations or Original Equipment Manufacturers (OEMs).

Manufacturing Quality and Strength

The Group has established two production bases in southern China including a 15,000 square metre manufacturing and surface treatment plant in Huizhou, Guangdong and a manufacturing plant in Shanghai. Both are equipped with state-of-the-art cold-forming machines as well as the latest in test, inspection and measuring equipment.

Superior Fastening currently has an annual production capability of nearly six billion fasteners and nearly 4,500 tonnes of plating.

We are currently in the midst of a two-phase expansion project where our manufacturing facility in Shanghai will move from its current leased premises into a brand new, purpose built production facility which will house fastener manufacturing, electroplating and heat treatment capabilities similar to those already available in Huizhou.

Corporate Milestones



1988

FOUNDED IN HONG KONG
Superior Screws Manufacturers Limited was founded in Hong Kong and produced fasteners for audio and video cassettes

1993

PRODUCTION MOVED TO CHINA
One of the first wave of companies to transfer production to the PRC –our Dongguan facility benefited from lower production costs

1995

PLATING FACILITY
With the formation of Silver Star Electro-Plating Co, Ltd. the Group now had in-house capability for surface treatment processes

1999

SHIFT IN STRATEGIC FOCUS
Our business focus shifted to the electronics sector to provide fasteners for products such as printers, computers, mobile phones, etc

2000

EXPANSION IN CHINA
Superior Screws (Huizhou) Industry Company Ltd was set up as a wholly owned foreign enterprise – it consolidated the manufacturing and surface treatment activities and obtained iSO9001 accreditation

2003

SUPERIOR IPO IN SINGAPORE
Superior Fasteners (S) Pte Ltd was founded and the Group was listed on SESDAQ in December 2003

2004

FURTHER EXPANSION IN CHINA
Our second factory in China – Superior Fastening (Shanghai) Ltd was founded and quickly obtained iSO9001 accreditation

2006

TSI6949 ACCREDITATION
To capture the fast-growing automotive industry, our Shanghai plant achieved this sought after accreditation in March 2006

2007

DEVELOPING NORTHERN CHINA MARKET
In line with expansion plans, a new factory was set up on our own premises in Shanghai



Building on capabilities by doubling capacity in Shanghai, which encompasses new heat treatment and electroplating capabilities, the Group is in good stead to make further inroads into the automotive market segment.

Chairman's Message

Dear Shareholders,

I am pleased to report that Superior Fastening Technology has performed very well for the year ended 31 March 2007. We have increased our revenue, improved our margins and achieved a healthy growth in profits. Although the business environment was highly competitive, our efforts through the last 12 months to control costs and improve our plants' efficiencies are bearing good fruit.

Strong Financial Performance and Growth

Our performance in the financial year under review was driven by strong demand for our fastener products and surface treatment services from existing and new customers. We also enjoyed strong contribution from our subsidiary, Superior Fastening (Shanghai) Ltd, which started operations in the second half of FY2005.

Group revenue was higher by 22% at HK$119.5 million in FY2007 compared to the HK$98.2 million we achieved in 2006 (approximately S$24.4m and S$20m respectively). Group operating profit climbed 61% to HK$23.6 million (S$4.8m) and our net profit after tax grew 42% from HK$11.4 million (S$2.3m) to HK$16.2 million (S$3.3m). With this, the four-year compounded annual growth rate (CAGR) for our revenue currently stands at 30.7% and the CAGR of our profit before tax for the same period is 14.9%.

Our cost of sales rose 15% while selling and distribution expenses and general & administration costs were higher at HK$35.1 million (S$7.2m) compared to the HK$23.6 million (S$4.8m) in FY2006. This increase in expenses was due partly to the setting up of our new subsidiary, Wuxi BSM Co. Limited, as well as due to costs incurred in relocating our Shanghai operations to their new facilities in March 2007. Nevertheless, our gross margin was higher at 41.9% compared to the 38.5% achieved a year earlier.

Our shareholders' wealth has increased with total shareholders' equity up 27% to HK$87.7 million (S$17.9m) and net assets per share rising 25% to HK77.8 cents (15.9 Sgp cents) over the previous year.

The Group's return on equity was 19% compared to 16.6% for the earlier year and earnings per share stood at HK14.9 cents (3 Sgp cents) compared to HK10.6 cents (2.1 Sgp cents) in FY 2006.

Your Board is recommending a first and final dividend of 0.5 Sgp cents per ordinary share. The total amount of dividend to be paid to our shareholders will be HK$2.7 million (S$0.55m) or about 17% of net profit. This is the first time that the Group has declared a dividend, and we certainly hope to be able to keep up this practice for many years to come.

Chairman's Message

Segmental Review

The Group presently has two operating divisions: the Fasteners Division and the Surface Treatment Division. In FY 2007, 82% of total revenue was generated by the Fasteners operation and 18% from Surface Treatment. There was an internal elimination of HK$9.6 million (S$1.9m) for cross-invoicing between these two divisions (FY 2006 elimination: HK$5.8 million/S$1.2m).

Turnover from the Fasteners Division grew 15% to HK$106.4 million (S$21.7m), an increase of HK$13.9 million (S$2.8m) over the previous year. This increase was due to strong demand from existing and new customers as well as revenue contribution from our new Shanghai factory and the successful marketing efforts of our staff there.

The Surface Treatment Division performed very well this year. Turnover doubled from HK$11.2 million (S$2.3m) to HK$22.7 million (S$4.6m). This growth was driven mostly by contribution from our new Heat Treatment line at our plant in Huizhou.

Business by Geographical Region

The PRC and Hong Kong SAR remain the Group's most important and largest markets. Turnover from this region grew 11.2% in FY2007 to HK$91.3 million (S$18.6m) and accounted for 76% of our business. We have benefited from the economic expansion of Greater China, in particular the growth of the consumer electronics and automotive sectors. Most of our customers in the PRC are multinational corporations from the USA, Europe, Japan, Taiwan and Korea who operate in the Yangtze River Delta area where our facilities are sited to serve them.

South East Asia returned a high rate of growth compared to the flat performance of a year earlier -- sales was HK$6.5 million (S$1.3m), a 68% increase year-on-year. This region now accounts for about 6% of our business.

Superior Fastening Technology also serves customers in the USA and Canada, Europe, Russia and Eastern Europe and the Middle East. Taken as a whole, business from these countries, which we categorize as "Other Regions", accounted for 18% of Group revenue. In FY2007, Other Regions contributed HK$ 21.7 million (S$4.4m) to turnover, a growth of 78% over the previous year.

Healthy Balance Sheet and Cashflow Generation

At end-FY2007, total assets stood at HK$198.5 million (S$40.5m), an increase of 54% over the HK$128.6 million (S$26.2m) at the end of FY2006. Total liabilities increased 85% from HK$60.1 million (S$12.3m) to HK$111.3 million (S$22.7m) as we took on some debt to finance our facility and capability expansion plans. Our net current assets at the close of the year grew 55% at HK$21.6 million (S$4.4m).

Reflecting the expansion and investment phase that the Group is currently in, our investment in property, plant and equipment rose from HK$58.3 million (S$11.8m) to HK$83.2 million (S$16.9m). As a result of additional purchases of raw materials and the production of contingency stock in relation to the relocation of our Shanghai facility, inventory increased from HK$13.4 million in FY2006 to HK$21.2 million in FY2007. Going forward, the inventory situation should improve, as the relocation exercise has been completed.

As part of improving our business efficiency, we have reduced our debtor turnover from 109 days to 95 days. We aim to shorten this period further.

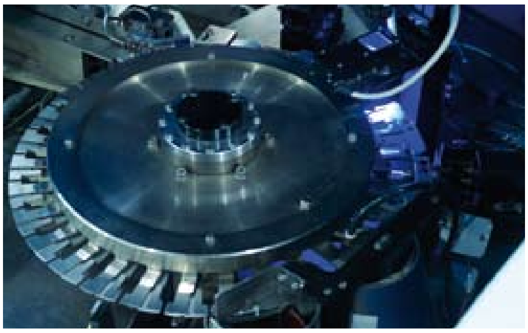
Cashflow generation has been strong with cash and cash equivalents at end-FY2007 standing at HK$18.3 million (S$3.7m). This is 59% higher than the amount standing at end-FY2006. As such, we are confident that we will be able to manage our interest expense (HK$4.1 million/S$0.83m for the current year) as well as support the funding of our business expansion for the foreseeable future.

Planning Ahead

As we look towards FY2008, we are optimistic about Superior Fastening Technology's business prospects. The consumption growth in our primary markets – Greater China, Southeast and West Asia – for computer, telecommunication, consumer appliances and automotives is expected to increase further.

The trend of multinationals and equipment manufacturers from the USA and Europe to look to Asia, and to China in particular, for lower cost production capabilities is expected to continue. At the same time, manufacturers in Japan, Taiwan and South Korea are facing similar cost challenges and are seeking lower cost alternatives as well.




We see many potential business opportunities from the Japanese outsourcing market as many Japanese outsource manufacturing services companies operate in the Shanghai area where our operations are located.

Today, Superior Fastening Technology has a strong base of multinational customers and it is our plan to provide them with reliable quality products at competitive prices. We have worked steadily over the years and have built up a lead over our competitors. To further strengthen our market position and profitability, we are locating our facilities close to our customers and markets to ensure fast response to their needs. In addition, we are also increasing the percentage of business from customers in the automotive industry. The value-add potential in this industry is high and so are the barriers to entry for new entrants. Automotive industry customers presently account for approximately 10% of our revenue, and is expected to grow significantly for the coming financial year.

The expansion of our facilities in Shanghai and Huizhou will help us achieve these two goals. We have completed the Phase 1 development of our Shanghai plant in March 2007 and the new electroplating and heat treatment facilities are now in operation. These processes were only available previously at our Huizhou factory. These capabilities will enable us to provide our customers with further value-add in terms of faster turnaround time and better cost-efficiencies.

We will continue to improve on our service and product quality. We have received our TS16949 accreditation for our Shanghai plant and this certification gives us inroads to serve automotive OEMs. Our Huizhou factory has also received the QC080000 accreditation for Hazardous Substance Process Management. The factory has conformed and met the stringent requirements in the restriction and control of the use of certain hazardous substances in electrical and electronic components and products. We will continue to seek key certifications that will qualify us to serve the new industry sectors that we have targeted.

Given foreseeable business conditions, we expect Superior Fastening Technology to continue its good performance in the coming financial year.

Our Appreciation

In closing, I would like to thank all our stakeholders -- shareholders, customers, business associates and suppliers -- for the support they have given us over the last year. Together with the professional commitment of our management and staff, we look forward to many more years of mutually beneficial collaboration with you.

I also wish to thank my fellow Directors on the Board of Superior Fastening Technology for their guidance and support which I find invaluable.

Jacky Lam
Chairman & CEO

主 席 致 詞

各位尊敬的股東：

很高興向各位報告卓越科技有限公司過去一年的卓越表現。我們的收入增加之餘，利潤亦提高，這表示公司盈利正穩健增長。雖然商業環境如常地競爭激烈，我們過去一年努力地控制成本並改進工廠營運效益，終於有所收穫。

良好財政表現及增長

回顧本財政年度，新舊客戶對我們的緊固件產品及表面處理服務有強大需求，這帶動我們的業績上揚。而卓越緊固系統(上海)有限公司自2005下半年開始投產以來，對增進集團利潤有顯著貢獻。

集團本年度收入HK$119.5百萬，較去年的HK$98.2百萬增長高達22%(等值分別為S$24.4m與S$20m)。集團營運溢利(operating profit)攀升62%至HK$23.6百萬(S$4.8m)，稅後純利增長43%，由去年的HK$11.4百萬(S$2.3m)增加至HK$16.2百萬(S$3.3m)。與此同時，四年複合年均增長率(CAGR)為30.7%，稅後利潤CAGR在同期間為14.9%。

比較2006財政年度，我們的總開支上升了15%，由HK$23.6百萬(S$4.8m)增加至HK$35.1百萬(S$7.2m)。成本上漲原因，部分歸因於新成立的附屬公司：無錫超杰精密電子科技有限公司，以及上海廠於2007年3月搬遷新廠。然而，本財政年度毛利率41.9%，較去年38.5%為高。

過去一年，隨著股東權益(shareholders' equity)上升27%至HK$87.7百萬(S$17.9m)，並每股資產淨值較去年上升25%至港幣77.8分(新加坡元15.9分)，我們的股東財富有相當增長。

集團之資本權益報酬率(return on equity)由去年之16.6%升至19%。本年度每股盈利達到港幣14.9分(新加坡元3分)，而上年度每股盈利為港幣10.6分(新加坡元2.1分)。

董事會建議發出年度首次及最後股息，每普通股獲S$0.005。計劃支付股息總額是HK$2.7百萬(S$0.55m)，約等於17%淨盈利。這是集團第一次發放股息，我們甚願在未來的日子能持續。

部門回顧

集團目前有兩個業務部門：緊固件分部和表面處理分部。在2007財政年度，總收入82%來自緊固件業務，18%來自表面處理業務。其中兩業務部門之間交易 HK$9.6百萬(S$1.9m)已作內部撇帳。(2006財政年度，內部撇帳為HK$5.8百萬/S$1.2m)。

本財政年度緊固件部之業務增長15%，銷售金額達HK$106.4百萬(S$21.7m)，較去年增加HK$13.9百萬(S$2.8m)。增長主要源自三方面所帶動：客戶需求量增加、上海廠順利投產、與及積極的市場/銷售隊伍。

表面處理部本年度有出色的業績表現。銷售金額從去年HK$11.2百萬(S$2.3m)倍增至HK$22.7百萬(S$4.6m)。增長主要是惠州廠新增熱處理部門所帶動的。

地區業績

分析地區市場顯示，中國與香港仍然是集團最大最重要的市場。這區域的銷售額本年度增長11.2%，達到HK$91.3百萬(S$18.6m)，佔集團總銷售之76%。受益於大中華的強勁經濟擴張，以家電和汽車緊固件相關業務尤其顯著。集團的客戶主要是美國、歐洲、日本、臺灣和韓國的跨國公司，我們的工廠選址正配合他們設於長江三角洲地區的生產基地。

去年表現平平的東南亞地區，本年度獲得68%的高增長，銷售額HK$6.5百萬(S$1.3m)，佔集團總銷售約6%。

公司客戶亦遍及美國、加拿大、歐洲、俄羅斯、東歐以至中東。整體上這些國家，我們分類為「其他地區」，佔集團收入18%。本財政年度，其他地區的銷售較去年增長78%，為集團帶來了HK$21.7百萬(S$4.4m)收入。

資產負債表與現金流動的正面的表現

結束2007財政年度,集團總資產為HK$198.5百萬(S$40.5m),較去年HK$128.6百萬(S$26.2m)增加54%。承擔設施之擴建及生產力拓展所需資金,集團負債總額為HK$111.3百萬(S$22.7m),較去年HK$60.1百萬(S$12.3m)增加的85%。本財政年度流動資產淨額提高55%為HK$21.6百萬(S$4.4m)。

正好反映出集團當前之擴展及分期投資,我們的投資在物業、廠房、機械設備上,從去年HK$58.3百萬(S$11.8m)上升至HK$83.2百萬(S$16.9m)。因增購原材料,與及上海廠因搬遷而增加備用庫存,存貨從去年HK$13.4百萬增加至HK$21.2百萬。展望未來,上海廠業已完成搬遷,存貨情況短期內將得以改善。

作為改進企業效率的一部分,我們成功將應收帳循環由109天降低到95天。我們打算更進一步縮短這個收款期。

現金流動位於強勢,現金及等值現金在年度結束時達到HK$18.3百萬(S$3.7m),較去年同期高出59%。因此,我們確信公司有足夠能力處理利息支出(本年度HK$4.1百萬/S$0.83m)並且繼續支持公司在可見將來之擴充及拓展計劃。

繼往開來

展望2008年,我們對卓越科技有限公司是的經營遠景甚為樂觀。我們的主要市場 – 包括中國及東南亞 – 在電子產品、通訊設備、家電及汽車等各適用行業上, 需求量都持續增長。

愈來愈多跨國企業及製造商,趨向從美國和歐洲轉向亞洲,特別是轉向中國,這種減輕生產成本以增加競企業爭能力的趨勢預料會持續。與此同時,日本、臺灣和南韓製造商亦面對相同的挑戰,尋找可減低生產成本之出路。從多家日本採購商在上海地區成立公司,我們看見許多潛在的商機。

今天,卓越科技有限公司的客戶主要以跨國製造商為基礎,公司致力向客戶提供品質可靠、價錢合理的產品及服務。多年來平穩的工作表現令我們在同業中佔優。為鞏固公司的市場位置,並爭取更佳利益,我們的設施位置緊挨顧客與市場,務求對客戶需求作出更快速的回應。此外,我們的汽車製造業客戶佔總客戶之百分比正漸漸加增。汽車製造業為甚具潛力的高增值行業,這亦形成了屏障,不容易接納新加入者。汽車製造業客戶目前佔集團總收入約10%,預計下一財政年度將有大幅增長。

擴展上海廠和惠州廠的設施,有助公司達成以上目標。上海廠於2007年3月完成了第一階段發展計劃,新的電鍍設施和熱處理設施現已投產。之前,只有惠州廠配備這等設施。週全的設施,好讓我們給客戶提供了增值服務:包括更快捷的生產週期及更理想的成本效益。

我們將繼續改善服務和提高產品質量。上海廠已經通過TS16949檢定,這認證引領公司進佔汽車製造OEM行業。惠州廠最近亦成功通過QC080000體系審核,通過落實對危害物質的有效管理體系,達到各種電子行業所關注的環保指令對有毒、有害物質的限制要求。我們將繼續尋求關鍵的認證,務求進佔新目標市場同時,我們已獲取提供服務的檢定資格。

展望將來,我們相信卓越科技有限公司來年業績將更加出色。

董事會致謝

最後,我要感謝所有利益關係者 – 包括股東、客戶、商業夥伴和供應商--答謝各位在過去一年給予卓越科技的支持。感謝各位管理人員及員工為公司作出的專業貢獻,盼望在未來歲月,維持彼此的有利合作。

我也要向董事會成員致謝,感謝您們的寶貴意見與無價的支持。

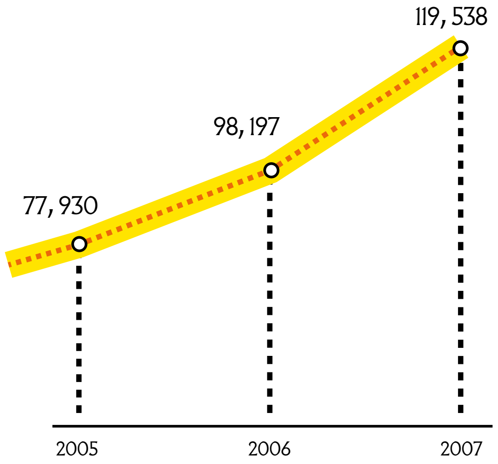
林德诚

主席及行政总裁

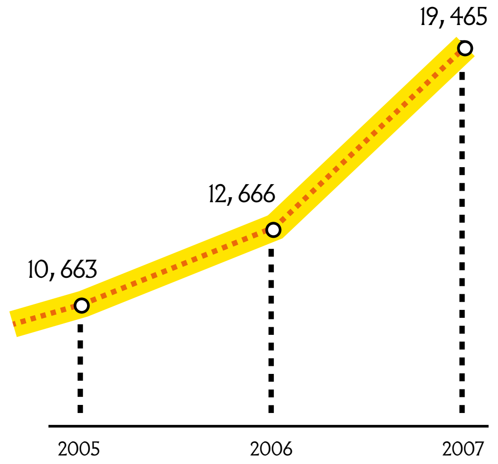
Taking strategic steps to increase proportion of higher-value business and expanding facilities in Shanghai and Huizhou to cater to the growing automotive industry in China.

Financial Highlights

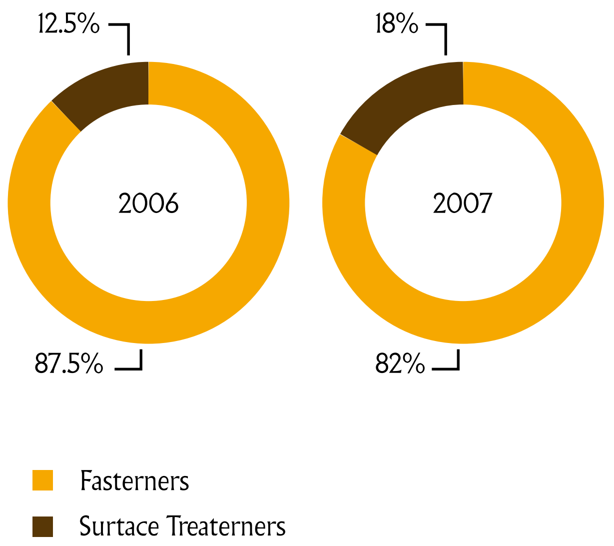
Sales Revenue
(HK$'000)



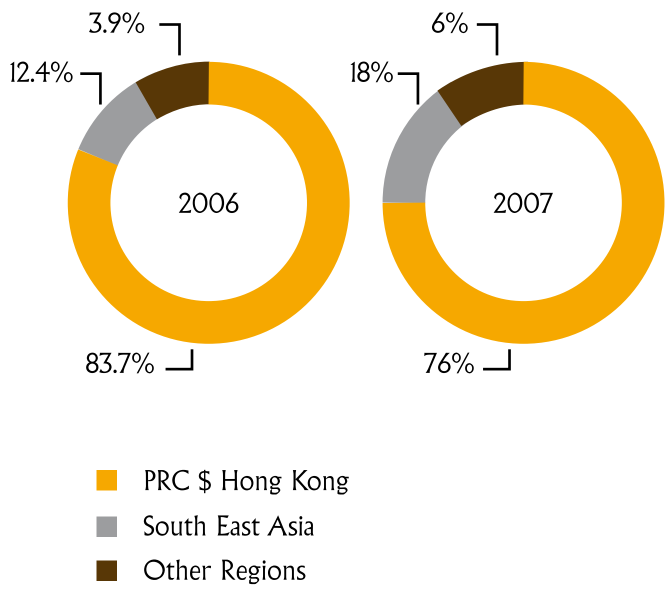
Profit Before Tax
(HK$'000)



Turnover by Business Segments



Turnover by Regions



Worldwide Customer Base

Well-established Production Bases

Huizhou
Facility & Capabilities

▲ New Shanghai Facility & Capabilities

Business and Product Review

A Growing Customer Base

Superior Fastening Technology now has two manufacturing bases in China – the latest being a 15,000 square-metre manufacturing and surface treatment plant in Huizhou and a new facility in Shanghai sited on 30,000 square metres of land.

The new Shanghai facility has a 11,700 square-metre purpose-built main building which is our key manufacturing centre in China. Here, we have more than 200 cold forming and computer controlled precision tools to enable the manufacture of components from the simplest rivets to highly complex multi-stage fasteners. An adjacent building houses electro-plating and heat treatment facilities. All the test, inspection and measuring equipment are located on-site for full quality assurance. With these critical parts of our manufacturing process sited together, the Group is able to respond even faster and more cost effectively as it serves its customers.

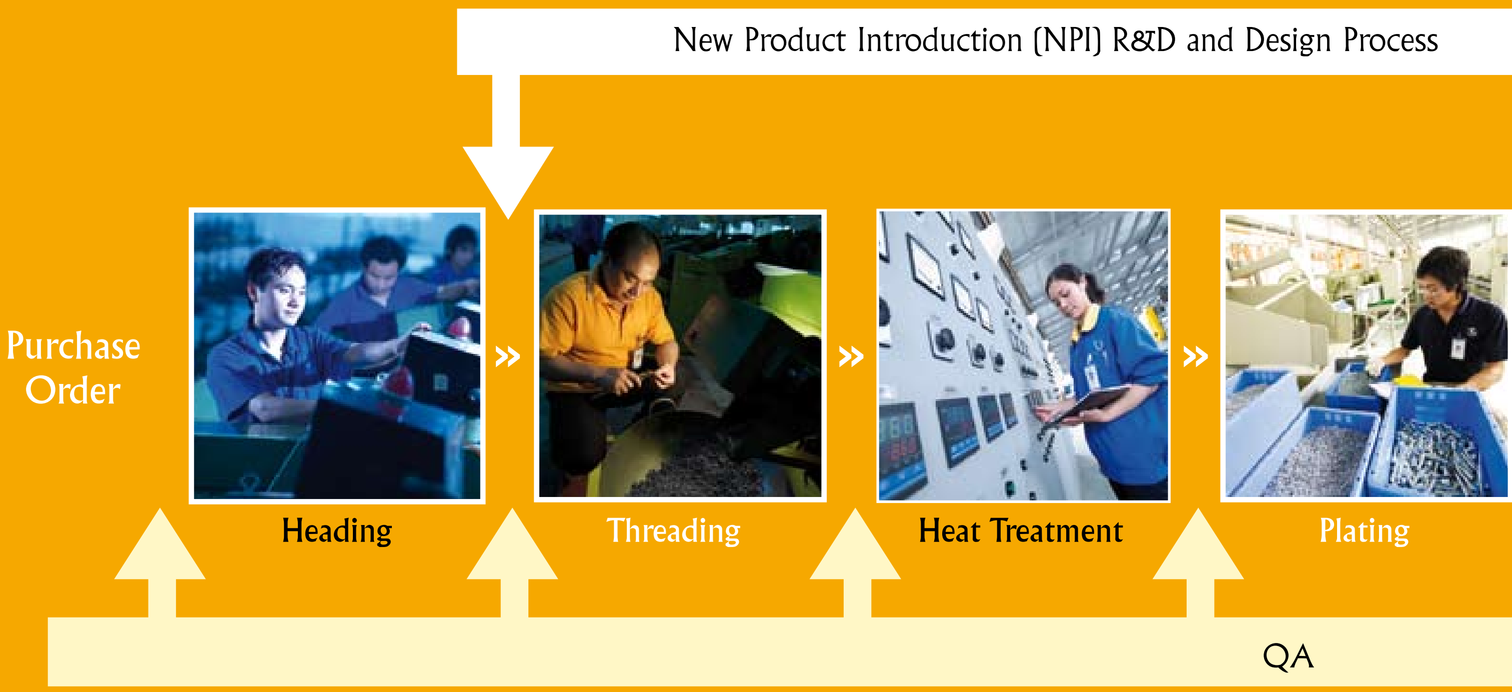
At end-FY2007, our production capacity stood at more than 6 billion screws and fasteners and over 4,500 tonnes of plating annually. This is a 30% increase over our capacity at end-FY2006.

In the coming year, we will be focusing our efforts on further improving the contribution from our Shanghai operations, as we aim to double our production capacity by the end of FY-2008.

A Growing Customer Base

Our Group serves world-renowned companies such as HP, Johnson Electric, Sanyo, Thomson, Valeo, Magna, TRW and GHSP. Our metal fasteners are therefore used in a wide variety of products including motors, electronic consumer appliances, DVD players, handphones, computers and printers, PDAs and power tools, and auto parts like electrical assemblies in lighting system, audio system, car doors, power windows, shifter knobs, sensors for airbags and air conditioners.

Superior Fastening's Value Chain



In total, we serve 200 customers worldwide. Of this, 50% has worked with Superior for more than 10 years, bearing testimony to our high quality products and services. FY2007 also saw us adding several new customers in the automotive and electronic industry segments.

The automotive sector is seen to be a key growth area for Superior Fastening and we will be seeking to win more customers from this industry. This sector accounted for about 10% of our FY2007 revenue and should contribute even more to total revenue in FY2008.

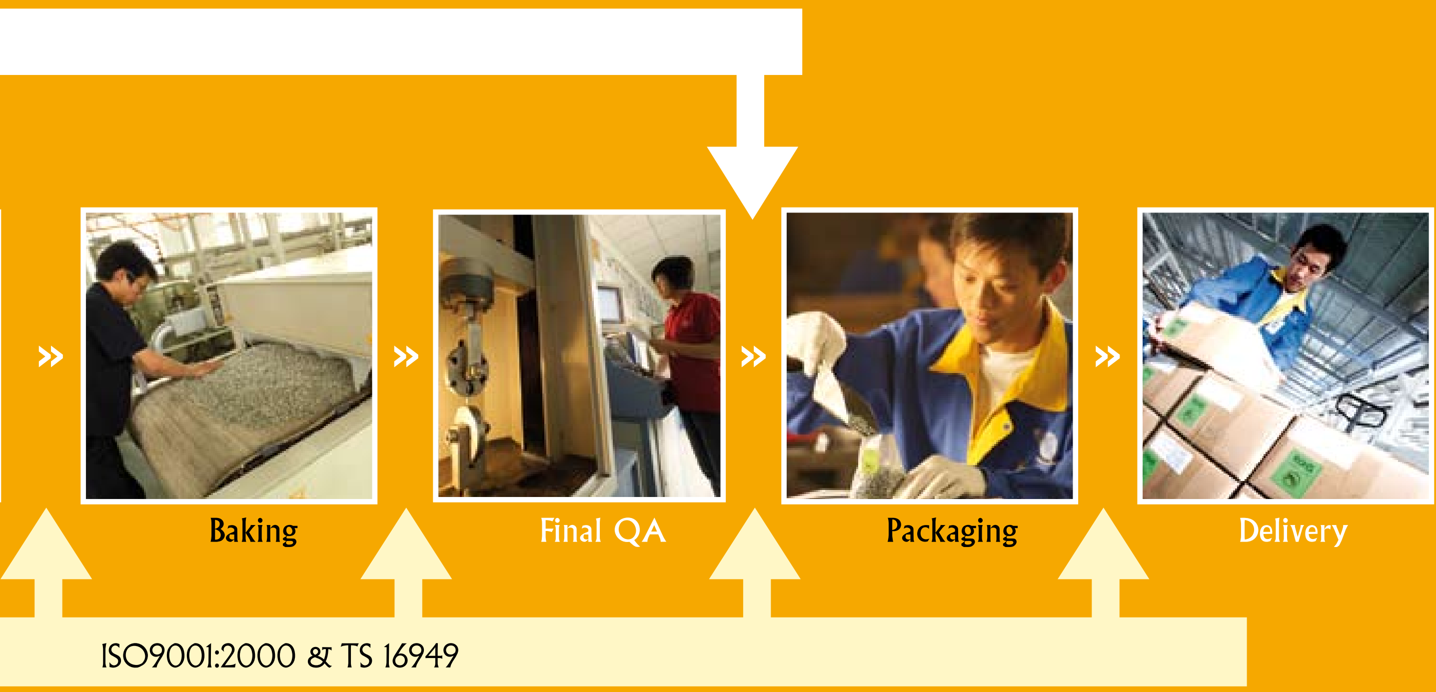
People and Processes – the Key to Quality

Superior Fastening employs 600 people across various nationalities, and we ensure they are all regularly trained and updated on the latest technologies, processes and best practices.

The Group has adopted Total Quality Management and is ISO9001:2000 certified. In 2006, our Shanghai plant received its TS 16949 certification, while our Huizhou plant received its QC080000 certification. Our products and processes are compliant with international standards such as ANSI, JIS and DIN - the US, Japanese and German standards that help to ensure safety and health of consumers, as well as the protection of the environment.

With our team of innovative and highly experienced in-house engineers, we add value by working closely with our customers in the design and development of fasteners for their new components to produce customised products of exceptional quality in a cost effective manner.

Quality is critical at Superior Fastening. We believe quality is everyone's business.



Board of Directors

Lam Tak Shing Chairman and CEO

Mr Lam Tak Shing was appointed to the Board of Superior Fastening Technology on 7 April 2003. He is the co-founder, Chairman and Chief Executive Officer of the Group. Having been in the fastener manufacturing business for over 20 years, Mr Lam has extensive technical experience and expertise in the industry. He is responsible for the overall strategic planning, management and business development of the Group.

Mr Lam entered into the fastening industry in 1983 when he became a Production Engineer with Tecko Screws Industrial Ltd. In 1986, he joined Dololo Cassette Screws Manufacturers Ltd as its Production Manager and was in charge of overseeing its entire manufacturing division. In 1988, along with Mr Tang Yuk Fung, Mr Lam founded Superior Fastening Technology and he has been with the Group since that time.

Mr Lam holds a Certificate in Basic Science for Electroplaters from Hong Kong Productivity Centre. He is currently Vice-Chairman of the Hong Kong Screw and Fastener Council which is a subsidiary of the Chinese Manufacturers' Association of Hong Kong.

Tang Yuk Fung Executive Director

The Group's co-founder and Executive Director, responsible for the operations of the Group. Mr Tang Yuk Fung was appointed to the Board on 7 April 2003. Mr Tang is now responsible for the overall production, factory management, and all other key manufacturing aspects of the Superior Fastening Technology's business.

Mr Tang has been in the fastening industry for nearly three decades and as a result he has built up extensive and in-depth technical know-how in the manufacture and processing of fasteners.

Mr Tang's previous role was Factory Manager at Tecko Screws Industrial Ltd which he undertook from 1978 to 1988. In this position he was in charge of overall factory management along with production and process planning. Together with Mr Lam Tak Shing, he founded the Superior Fastening Technology in 1988 and has been an integral figure in the development of the Group.

Mr Tang holds a Certificate in Basic Science for Electroplaters from the Hong Kong Productivity Centre.

Kwan Suk Yee Executive Director

As the Group's Executive Director, Sales and Administration, Ms Kwan Suk Yee is responsible for the Group's overall administration, and sales and marketing functions. Ms Kwan has over 14 years of experience in the fastening industry and has established an excellent network of contacts in the business. She was appointed to the Board on 28 October 2003.

Prior to joining the Group, she was the Personal Assistant to the Managing Director of Yuen Shing Art & Craft Manufacturer Ltd from 1989 to 1990.

At Yuen Shing Art & Craft, her responsibilities included roles in the sales and marketing of the company's products as well as client liaison and management. In 1990 Ms Kwan joined Superior Fastening Technology as the Sales and Marketing Manager and her role has developed in tandem with the continued success of the Group. Ms Kwan graduated from the Hong Kong School of Commerce with a Diploma in Secretarial Studies.

Chan Kam Fuk Independent Director

Mr Chan Kam Fuk was appointed as an Independent Director for the Group on 28 October 2003. Currently, he is the Sole Proprietor of Dominic K F Chan & Co, Certified Public Accountants. Mr Chan

BOARD OF DIRECTORS


Lam Tak Shing


Tang Yuk Fung


Kwan Suk Yee


Chan Kam Fuk


Tan Chong Huat


See Yen Tarn

is also an Independent Non-executive Director of Hong Kong Stock Exchange listed Info Communication Holdings Limited.

Mr Chan holds a Bachelor of Science degree in Engineering from the University of Hong Kong and a Master of Science degree in Finance from the City University of Hong Kong. He also holds a Master degree in Accounting from the University of Southern Queensland, Australia. Mr Chan is a member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

Tan Chong Huat Independent Director

Tan Chong Huat is our Independent Director and was appointed on 28 October 2003. Currently, Mr Tan is Managing Partner of KhattarWong, a firm of advocates and solicitors. He also heads its Corporate and Securities department and its International China Practice.

Mr Tan graduated with a degree in law from the National University of Singapore in 1989. He is an advocate and solicitor in Singapore, a solicitor in England and Wales, a Notary Public and a Commissioner for Oaths. He is a member of the Singapore Institute of Arbitration, the Chartered Institute of Arbitrators, the Singapore Institute of Directors and an accredited arbitrator with the China International Economic and Trade Arbitration Commission. He has extensive experience and specialist knowledge in corporate, banking and project finance law in Singapore and the region, and acted in numerous significant corporate transactions. He has been named a Leading practitioner in many reputable professional publications, including Asia Pacific Legal 500, Asia Law Leading Lawyers.

Mr Tan is an ad-hoc lecturer for several post-graduate degree programs conducted by the Nanyang Technological University, Singapore. Mr Tan is also an adjunct associate professor of the Law Faculty, National University of Singapore. He was conferred a Visiting Professorship by the Beijing Normal University. Besides authoring two leading literature on PRC investment laws, he recently co-authored a new title on "Corporate governance of listed companies in Singapore".

Mr Tan is also chairman of several corporate governance committees of public listed companies having operations in Australia, South East Asia, Indochina, Hong Kong and PRC.

See Yen Tarn Independent Director

Mr See Yen Tarn was appointed as an Independent Director in December 2005. Mr See is the Group Chief Executive Officer of CSC Holdings Limited. He is also the Independent Director of two other companies listed on the SGX, namely Swing Media Technology Group Limited, China Great Land Holdings Limited.

Mr See has more than 20 years of working experience at senior management level in various industries and has held such positions as Chief Financial Officer, Executive Director and Deputy Managing Director for both listed and non-listed entities in Singapore, Indonesia and Australia. He has extensive experience in business development.

Mr See holds a Bachelor degree in Accountancy from the National University of Singapore. He is a member of the Institute of Chartered Accountants, England and Wales and is a member of the Singapore Institute of Directors.

Senior Management & Key Executives

Ma Yiu Ho Peter Chief Financial Officer

Mr Ma was appointed as Chief Financial Officer and Deputy Company Secretary for the Group on 15 June 2005. He is responsible for the overall organisation and management of the Group's financial systems and is in charge of reviewing all the financial data and reports of the companies within the Superior Fastening Technology Group.

Mr Ma started his financial career as an audit assistant in 1984 with Peat, Marwick, Mitchell & Co. (CPA). In 1986 he joined the Hong Kong Government as an examiner in the computer audit branch and subsequently held the posts of senior internal auditor, a special projects officer and as an assistant manager in Standard Chartered Equitor Trustee HK Ltd's provident fund management division between 1988 and 1992. Mr Ma was the finance and administration manager at Eisenhower Asia Limited from 1992 to 2002. Prior to joining Superior Fastening Technology was the finance and administration manager with Mui's Kamsing Garment Limited from 2002 to 2005.

Mr Ma is a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration from the Hong Kong University of Science and Technology.

Tay Siew Leng Chief Operating Officer

Before joining Superior Fastening, Mr Tay was formerly the Director of Plastic Moulding Co-China Group. He holds a Masters degree in Business Administration from Strathclyde Graduate Business School, Scotland.

Prior to being appointed as Chief Operating Officer, Mr Tay was the General Manager of the Plastics Moulding Group from July 2000 to September 2002, to set up three manufacturing plants in China.

During the period from 1993 to 2000, Mr. Tay held various positions in Daiho Group, was the manager of the company from 1995 to 2000 in Business Development and Production Control Department. He was involved in the day-to-day operations of the organisation and was responsible for formulating the policies and business expansion plans of the company. Before joining Daiho group, he was the Department Head of a High School in Malaysia.

Currently, he oversees the general management of the group and is involved in overall business development operations and strategic planning.

Chua Wah Moi Group General Manager

Chua Wah Moi is the Group's General Manager and is responsible for all aspects of operations at our manufacturing plant in Huizhou, China.

Mr Chua joined the Company in April 2004 and has over 30 years of management experience in the manufacturing sector. Mr Chua was the Senior Operations Manager at Sanyo Electronic (Singapore) Pte Ltd from 1972 to 1993. Prior to joining Superior Fastening, he was engaged by JIT Holdings Ltd as a General Manager in charge of the Malaysia subsidiary of JIT.

Mr Chua holds a Diploma in Management & Business from the Singapore Institute of Management.

Lam Tse Shing Operations Manager

Mr Lam is the Operations Manager for Superior Fastening Technology and is responsible for the sales, marketing and planning of the Group's surface treatment division.

Prior to joining the Group in 1995, Mr Lam was a Manager at Derico Glass Blasting & Engraving Co. Ltd from 1985 to 1995. In this position he was responsible for overseeing the sales and marketing of engraved decorative glass products, as well as management of all the technical aspects of production.

Corporate Governance

The Board of Directors of Superior Fastening Technology Limited (the "Company") recognises the importance of and is committed to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interest of the Company's shareholders.

This report describes the corporate governance practices of the Company, with reference to the principles set out in the Code of Corporate Governance 2005 (the "Code") issued by the Corporate Governance Committee and adopted by the Singapore Exchange Securities Trading Limited (the "SGX-ST").

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board of Directors (the "Board") comprises the following members:

Executive Directors

Mr. Lam Tak Shing
Mr. Tang Yuk Fung
Ms. Kwan Suk Yee

Independent Directors

Mr. Chan Kam Fuk
Mr. Tan Chong Huat
Mr. See Yen Tarn

The Board effectively leads and controls the long-term vision and strategic direction of the Group. Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal controls and compliance. In addition, the Board reviews the financial performance of the Group, approves investment proposals, and approves the nomination of Directors to the Board, as well as the appointment of key management personnel. These functions are carried out either directly or through Board Committees such as the Audit Committee, Nominating Committee and Remuneration Committee.

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

Formal Board meetings are held at least twice a year to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when the circumstances require. The Company's Bye-laws allow a Board meeting to be conducted by way of teleconference and videoconference.

Corporate Governance

(A) BOARD MATTERS (CONTINUED)

The Board's Conduct of Affairs (Continued)

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board. (Continued)

During the financial year, the Board held 4 meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:-

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lam Tak Shing	4	4	–	–	–	–	1	1
Tang Yuk Fung	4	4	–	–	–	–	–	–
Kwan Suk Yee	4	4	–	–	–	–	–	–
Chan Kam Fuk*	4	4	4	4	3	3	1	0
Tan Chong Huat	4	4	4	4	3	3	1	1
See Yen Tarn	4	4	4	4	3	3	1	1

* Mr Chan Kam Fuk was appointed as a member of the Nominating Committee in place of Mr Lam Tak Shing on 26 May 2006.

The Board also communicates frequently, through informal meetings and teleconference to discuss the Group's strategies and businesses.

Upon their respective appointments to the Board, each Director is given an orientation on the Group's business strategies and operations. From time to time, the Directors also receives further relevant training, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors are also updated on the business of the Group through regular presentations and meetings.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises three Executive Directors and three Independent Directors. The independence of each Director is reviewed annually by the Nominating Committee. The Nominating Committee adopts the Code definition of what constitutes an Independent Director in its review.

The Board regularly examines its size, with a view to determining the impact of the number on effective decision making. The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position.

Corporate Governance

(A) BOARD MATTERS (CONTINUED)

Board Composition and Balance (Continued)

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making. (Continued)

Non-executive and independent members of the Board exercise no management functions in the Company or its subsidiaries. Although all the directors have equal responsibility for the performance of the Group, the role of the non-executive and independent directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

The Board, taking into account the nature of operations of the Company, considers its non-executive and independent directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The non-executive and independent directors have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors. The Board is of the view its current size to be adequate for effective decision making. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 18 and 19 of this annual report.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure, i.e. where the CEO and the Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Group's Executive Chairman and CEO is Mr. Lam Tak Shing, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management. Mr. Lam is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these few years, Mr. Lam has demonstrated his vision, strong leadership and enthusiasm in this business. Although both the Chairman, and CEO functions are undertaken by the same person, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. In addition 50% of the Board consists of Independent Directors.

Nominating Committee ("NC")

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC comprises Mr. See Yen Tarn, Mr Chan Kam Fuk and Mr. Tan Chong Huat, and is chaired by Mr. See Yen Tarn. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

The Company adopts a formal and transparent process of appointing new Directors to the Board and ensures that all Directors (including the Managing Director) submit themselves for re-nomination and re-election at regular intervals.

Corporate Governance

(A) BOARD MATTERS (CONTINUED)

Nominating Committee (“NC”) (Continued)

Board Membership (Continued)

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. (Continued)

The Nominating Committee shall hold at least one meeting per year. The Board has approved the written terms of reference of the NC. The NC performs the following functions:-

(a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

(b) reviewing all candidates nominated for appointment as senior management staff;

(c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-executive, Independent and Non-independent Directors and having regard at all times to the principles of corporate governance and the Code;

(d) procuring that at least one-third of the Board shall comprise Independent Directors;

(e) making recommendations to the Board on continuation of service of any Director who has reached the age of 70;

(f) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting (“AGM”) of the Company, having regard to the Directors’ contribution and performance, including Independent Directors;

(g) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and

(h) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

All Directors, other than the Managing Director, are subject to the provisions of the Company’s Bye-laws whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

The Directors retiring by rotation pursuant to Bye-laws 104 of the Company’s Bye-laws at the forthcoming AGM are Mr. Tan Chong Huat and Mr. Chan Kam Fuk .

In making the recommendation, the NC had considered the Directors’ overall contribution and performance.

Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention have been given by the Directors to the Group.

Corporate Governance

(A) BOARD MATTERS (CONTINUED)

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

For the year under review, the NC evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return of equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the management's performance against the goals that had been set by the Board.

The Board and the Nominating Committee will endeavour to ensure that directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors receive a regular flow of information from Management about the Group so that they are equipped to play as full a part as possible in Board meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Information provided includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements.

All directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

All directors have separate and independent access to the company secretary. The company secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and all rules and regulations applicable to the Company, including requirements of the Bye-Laws and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Corporate Governance

(B) REMUNERATION MATTERS

Remuneration Committee ("RC")

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises Mr. Chan Kam Fuk, Mr. See Yen Tarn and Mr. Tan Chong Huat and is chaired by Mr. Chan Kam Fuk. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

The Board has approved the written terms of reference of the RC. The functions of the RC are as follows:-

(a) recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;

(c) determining the specific remuneration package for each Executive Director;

(d) considering the eligibility of Directors for benefits under long-term incentive schemes; and considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key executives of the Company to those required by law or by the Code.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No director will be involved in determining his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, and the responsibilities of the directors. Directors' fees are subject to approval at the Company's AGM.

The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The compensation of the executive directors and senior management is reviewed annually by the Remuneration Committee to ensure that the respective remuneration is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

Corporate Governance

(B) REMUNERATION MATTERS (CONTINUED)

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and executive officers for services rendered during the year ended 31 March 2007 are as follows:-

Remuneration Bands	Salary %	Performance Bonus %	Directors' Fees %	Others %	Total %
Directors **Above S$250,000 (equivalent to approximately HK$1,225,000)**					
Lam Tak Shing	66	27	7	–	100
Tang Yuk Fung	65	28	7	–	100
Kwan Suk Yee	65	28	7	–	100
Below S$250,000 (equivalent to approximately HK$1,225,000)					
Chan Kam Fuk			100		100
Tan Chong Huat			100		100
See Yen Tarn			100		100
Executive Officers **Below S$250,000 (equivalent to approximately HK$1,225,000)**					
Ma Yiu Ho Peter	100	–	–	–	100
Chua Wah Moi	100	–	–	–	100
Lam Tse Shing	100	–	–	–	100
Tay Siew Leng	100	–	–	–	100

The remuneration of the Non-executive and Independent Directors is in the form of a fixed fee. The remuneration of the Directors will be subject to the approval of the shareholders at the AGM.

All Executive Directors have service agreements with the Company. Their compensation packages consist of salary, bonus, and performance awards that are dependent on the performance of the Group.

There are no employees whose remuneration exceeds S$150,000 (equivalent to approximately HK$690,000) during the year who are immediate family members of any Director or substantial shareholder.

Corporate Governance

(B) REMUNERATION MATTERS (CONTINUED)

Disclosure on Remuneration (Continued)

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance. (Continued)

The Company has a share option scheme known as the Superior Employee Share Option Scheme (the "ESOS") and a share award plan known as Superior Fastening Technology Share Plan (the "Plan") which were approved by shareholders of the Company on 27 October 2003 and 31 July 2006 respectively. The ESOS and the Plan comply with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS and the Plan provide an opportunity for the Directors and employees of the Group to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS and the Plan are administered by the RC. No options or award have been granted during the year under review.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and half-yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The management currently provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis.

Audit Committee ("AC")

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises Mr. Tan Chong Huat, Mr. Chan Kam Fuk and Mr. See Yen Tarn and is chaired by Mr. Tan Chong Huat. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The Board has approved the written terms of reference of the AC. The AC performs the following functions:-

(a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;

(b) reviewing the overall internal control system;

(c) reviewing the Group's financial results and the announcements before submission to the Board for approval;

(d) reviewing the assistance given by management to external auditors;

(e) reviewing significant findings of internal investigations;

(f) considering the appointment/re-appointment of the external auditors;

(g) reviewing interested person transactions; and

(h) other functions as required by law or the Code.

Corporate Governance

(C) ACCOUNTABILITY AND AUDIT (CONTINUED)

Audit Committee ("AC") (Continued)

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties. (Continued)

The AC meets periodically and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

The AC has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to both internal and external auditors. The AC meets with the external auditors without the presence of management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services provided to the Group by the external auditors, and was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The AC has put in place a whistle-blowing policy and procedures to provide employees with well defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices, or similar matters or raise serious concerns about possible incorrect financial reporting or other matters that could have a large impact on the Company. The aim of the policy is to encourage the reporting of such matters in good faith with confidence that employees making such reports will be treated fairly and to the extent possible, be protected from repulse.

Internal Controls

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company's internal and external auditors conduct an annual review of the effectiveness of the Company's material internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The Board is satisfied that currently there are adequate internal controls in the Group. The Board regularly reviews the effectiveness of all internal controls, including operational controls.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises and is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. Union Alpha C.P.A. Limited has been appointed as the Company's internal auditor for the purposes of reviewing the effectiveness of the Company's material internal controls.

The AC reviews the internal audit programme, the scope and results of internal audit procedures and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.

Corporate Governance

(D) COMMUNICATION WITH SHAREHOLDERS

<u>Communication with Shareholders</u>

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

<u>Greater Shareholder Participation</u>

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via SGXNET announcements and news releases. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.

All shareholders of the Company receive the annual report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Bye-laws allow a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

(E) MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

Save for the service agreements between the Executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer or any Directors or controlling shareholders subsisting as at and during the year ended 31 March 2007.

(F) RISK MANAGEMENT

(Listing Manual Rule 1207(4)(b)(iv))

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

Corporate Governance

(G) DEALINGS IN SECURITIES

(Listing Manual Rule 1207(18))

In line with Rule 1207(18) of the Listing Manual, the Company has adopted a policy with respect to dealings in securities by Directors and officers of the Group. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's annual or half-yearly results and ending on the date of announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealing in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct is modeled after the SGX-ST's best practices with respect to dealings in securities by the Directors and officers of the Group.

(H) INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The Company confirms that there were no interested person transactions during the financial year under review.

Financial Contents

Report of the Directors

The directors are pleased to present their annual report to the members together with the audited financial statements of Superior Fastening Technology Limited (the "Company") and its subsidiaries (together with the Company hereinafter as the "Group") for the year ended 31st March 2007.

Principal activities

The Company acts as an investment holding company and provides corporate management services to group companies. Its subsidiaries are principally engaged in manufacturing and trading of fasteners and providing surface treatment services.

An analysis of the Group's segmental information by business and geographical segments for the year ended 31st March 2007 is set out in note 5 to the financial statements.

Results and appropriations

Details of the results of the Group for the year ended 31st March 2007 are set out in the consolidated income statement on page 43 of this annual report. The directors recommend the payment of a dividend of S$0.005 per share.

Reserves and retained earnings

Movements in the Group's reserves and retained earnings are set out in the consolidated statement of changes in equity on page 44 of this annual report. As at 31st March 2007, the Company's retained earnings amounted to approximately HK$1,324,000.

Property, plant and equipment

During the year, the Group acquired plant and machinery of approximately HK$23,579,000 (2006:HK$12,462,000) to expand its production capacity.

Other movements in property, plant and equipment of the Group are set out in note 7 to the financial statements.

Subsidiaries

The principal activities and particulars of the Company's subsidiaries as at 31st March 2007 are set out in note 9 to the financial statements.

Borrowings

Particulars of borrowings as at 31st March 2007 are set out in note 15 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 13 to the financial statements.

Purchase, sale or redemption of the Company's shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Report of the Directors

Share plans

The Company offers the following share plans:-

(a) Superior Employee Share Option Scheme

(b) Superior Fastening Technology Share Plan

All share plans are administered by the Remuneration Committee ("Committee") which comprises the following members:-

Mr Chan Kam Fuk (Chairman)	Independent director
Mr See Yen Tarn	Independent director
Mr Tan Chong Huat	Independent director

(a) Superior Share Option Scheme (the "ESOS")

The ESOS was approved at the Special General Meeting on 27th October 2003. The ESOS will provide eligible participants, such as the executive directors, non-executive directors and employees of the Group who are not controlling shareholders or their associates except for Mr. Lam Tse Shing, with an opportunity to participate in the equity of the Group and to motivate them towards better performance through increased dedication and loyalty. The aggregate number of shares over which the Remuneration Committee may grant options on any date shall not exceed 15% of the issued shares of the Group on the day preceding the date of the relevant grant. The number of options to be granted to the eligible participants, exercise price, exercise period and the timing of such grant are to be determined at the absolute discretion of the Remuneration Committee.

As at and during the year ended 31st March 2007, the Company had not granted any share option to the eligible participants.

(b) Superior Fastening Technology Share Plan (the "Plan")

The Plan was approved and adopted by the Shareholders at the Special General Meeting of the Company held on 31 July 2006.

The Plan is a share-based incentive scheme and is intended to be part of a system of remuneration of employees of the Group and our Directors and our Company is of the view that such persons who are controlling shareholders and their associates should not be unduly discriminated against virtue only of their shareholding in our Company.

The Plan provides an opportunity for the Directors and full time employees of our Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and at the same time to give recognition to employees of our Group who have contributed to our success of the Group. Our Company is also of the view that the extension of the Plan to Controlling Shareholders and their associates will enhance the long-term commitment of the Controlling Shareholders and their associates to our Company as it will ensure that such Controlling Shareholders and their associates will continue to have a stake in our Company even if they decrease their shareholdings in our Company in the future.

Under the Plan, awards are granted to eligible participants. Awards represent the conferred by the Company on a participant to be issued or transferred Shares in the Company, free of charge and in accordance with the Rules. The Committee shall decide, in its absolute discretion, in relation to the award to be granted to a Participant and may amend or waive the vesting periods, the performance period and/or the performance condition in respect of any award.

Report of the Directors

Restrictions

The aggregate number of new shares over which the Committee may grant awards on any date, when added to the number of new shares issued and issuable in respect of all shares granted under this Plan and other existing share schemes or share option schemes implemented or to be implemented by the company, shall not exceed fifteen (15) per cent of the issued share capital of the Company on the day preceding that date.

The offer of the award shall be personal to the Participant to whom it is granted and any award granted and accepted by a Participant under the Plan shall not be transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part unless approved by the Committee.

Duration of the Plan

The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of ten (10)years commencing on the Effective Date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company's Shareholders in general meeting and of any relevant authorities which may then be required.

The Plan may be terminated at any time by the Committee and by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further awards shall be granted by the Company.

Notwithstanding the termination of the Share Plan, any awards made to participants prior to such termination will continue to remain valid, whether such awards have been exercised or not.

Eligibility

The following persons shall be eligible to participate in the Plan at the absolute discretion of the Committee:-

(a) Group employees who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time;

(b) Associated Company employees who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time ; and

(c) Non-Executive Directors

who, in the opinion of the Committee, have contributed or will contribute to the success and the development of the Group, provided that for any Participants who are Non-Executive Directors, written justification shall first have been provided to Shareholders for their participation at the introduction of the Plan or prior to the first Grant of awards to them.

Persons who are controlling shareholders or their associates shall not participate in the Plan unless:-

(a) written justification has been provided to shareholders for their participation at the introduction of the Plan or prior to the first grant of awards to them;

(b) the actual number and terms of any Shares to be granted to them have been specifically approved by shareholders of the Company who are not beneficiaries of the grant in a general meeting in separate resolutions for each such controlling shareholder or his associates; and

(c) all conditions for their participation in the Plan as may be required by the regulation of the SGX-ST from time to time are satisfied.

Since the approval of Shareholders on 31 July 2006 to the year end 31st March 2007, the Company did not grant any awards to the eligible participants.

Report of the Directors

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws in Bermuda.

Major suppliers and customers

During the year ended 31st March 2007, the five largest suppliers of the Group accounted for approximately 40.27% (2006: 27.9%) of the Group's total purchases while the five largest customers of the Group accounted for approximately 20.4% (2006: 27.6%) of the Group's total sales.

Impairment of trade receivables

Before the financial statements of the Group were made out, the directors took reasonable steps to ascertain that proper actions had been taken in relation to the written off of bad debts and the making of provision for impairment of trade receivables, and have satisfied themselves that all known bad debts, if any, have been written off and that adequate provision for impairment for trade receivables has been made for. At the date of this report, the directors are not aware of any circumstances which would render any amount written off or any provision for impairment of trade receivables in the Group inadequate to any substantial extent.

Directors

The directors of the Company in office at the date of this report are:

Mr. Lam Tak Shing - Chief executive officer

Mr. Tang Yuk Fung - Executive director

Ms. Kwan Suk Yee - Executive director

Mr. Chan Kam Fuk - Independent non-executive director

Mr. Tan Chong Huat - Independent non-executive director

Mr. See Yen Tarn - Independent non-executive director

In accordance with the Bye-laws of the Company, all directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' service contracts

The Company entered into separate service agreements ("Service Agreements") with Mr. Lam Tak Shing, Mr. Tang Yuk Fung and Ms. Kwan Suk Yee for a period of three years commencing from 1st December 2006. The Service Agreements shall be renewable automatically for successive terms of one year each unless terminated by not less than six months notice in writing, served by either party, following the expiration of the end of the initial period or at any time thereafter. Apart from the foregoing, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment, other than statutory compensation.

Report of the Directors

Directors' interests in contracts of significance

Save as disclosed above and except as disclosed in note 26 to the financial statements, no director has received or was entitled to receive a benefit (other than as disclosed as directors' emoluments in the financial statements) by reason of a contract made by the Company or a related company with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Directors' interests in shares and share options

The following executive directors who held office at the end of the year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related companies (other than wholly owned subsidiaries), as stated below:

	Shareholdings registered in the name of director		Shareholdings in which a director is deemed to have an interest	
Name of director	As at 31st March 2007 Ordinary share of HK$0.17 each Number of shares	As at 1st April 2006 Ordinary share of HK$0.17 each Number of shares	As at 31st March 2007 Ordinary share of HK$0.17 each Number of shares	As at 1st April 2006 Ordinary share of HK$0.17 each Number of shares
Mr. Lam Tak Shing[1]	–	–	74,221,200	74,221,200
Mr. Tang Yuk Fung[1]	–	–	68,221,200	68,221,200
Ms. Kwan Suk Yee[1]	6,000,000	6,000,000	68,221,200	68,221,200

1 Mr. Lam Tak Shing and Mr. Tang Yuk Fung are deemed to be interested in the shares held by China Network Group Limited, one of the existing shareholders, as they own more than 20.0% of the issued and paid-up share capital of China Network Group Limited each. As Ms. Kwan Suk Yee is the wife of Mr. Lam Tak Shing, each of them is deemed to be interested in the shares held by each other.

The Directors' interests in the shares and options of the Company at 21st April 2007 were the same at 31st March 2007.

Other than disclosed above, none of the executive directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as at 31st March 2007.

No share options have been granted to or held by any of the directors as at and during the year ended 31st March 2007.

Save as disclosed above, at no time during the year was the Company or any of its related companies or subsidiaries, a party to any arrangement to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18, had any rights to subscribe for the shares of the Company, or had exercised any such right during the year.

Report of the Directors

Corporate Governance

Details of the report on corporate governance are set on pages 21 to 31 of this annual report.

Audit Committee

The audit committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors

The auditors, HLB Hodgson Impey Cheng have expressed their willingness to accept re-appointment.

On behalf of the Board

Lam Tak Shing
Chief Executive Officer

Hong Kong

30 June 2007

Statement by the Directors

We, Lam Tak Shing and Kwan Suk Yee, being two of the directors of Superior Fastening Technology Limited, do hereby state that, in the opinion of directors,

(i) the accompanying consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group and balance sheet of the Company; together with the notes thereon as set out on pages 41 to 79, are drawn up in accordance with the comply with the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the results of the business, changes in equity and cash flows of the Group, and the changes in equity of the Company for the financial year ended; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debt as and when they fall due.

The board of directors authorised these financial statements for issue on 30 June 2007.

On Behalf of the Board

Director
Lam Tak Shing

Director
Kwan Suk Yee

30 June 2007

Independent Auditors' Report

To the Shareholders of Superior Fastening Technology Limited
(Incorporated in Bermuda with Limited Liability)

國衛會計師事務所
Hodgson Impey Cheng

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

We have audited the consolidated financial statements of Superior Fastening Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 79, which comprise the consolidated and company balance sheets as at 31 March 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and the true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 30 June 2007

Consolidated Balance Sheet

at 31 March 2007

	Notes	2007	2006
		HK$'000	*HK$'000*
ASSETS			
Non-Current Assets			
Bank deposits	6	**2,162**	1,000
Property, plant and equipment	7	**83,167**	58,326
Construction in progress	8	**18,484**	–
Deposits paid for acquiring a lease		**7,143**	–
		110,956	59,326
Current Assets			
Cash and bank balances		**22,293**	14,907
Inventories	10	**21,226**	13,381
Trade receivables	11	**31,754**	30,157
Prepayments, deposits and other receivables	12	**12,238**	10,792
		87,511	69,237
Total Assets		**198,467**	128,563
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**19,043**	18,727
Reserves	14	**65,355**	49,712
Proposed dividend	27	**2,744**	–
		87,142	68,439
Minority interests		**–**	–
Total Equity		**87,142**	68,439
LIABILITIES			
Non-Current Liabilities			
Long-term bank loans	15	**37,723**	3,909
Obligations under finance leases			
– due after one year	16	**4,932**	478
Deferred tax liabilities	17	**2,783**	368
		45,438	4,755
Current Liabilities			
Bank overdraft	15	**3,974**	3,434
Trade and bills payables		**31,815**	30,708
Other payables and accruals	18	**7,527**	11,797
Current portion of long-term bank loans	15	**13,730**	5,220
Obligations under finance leases			
– due within one year	16	**4,471**	777
Taxation payable		**4,370**	3,433
		65,887	55,369
Total Liabilities		**111,325**	60,124
Total Equity and Liabilities		**198,467**	128,563
Net Current Assets		**21,624**	13,868
Total Assets Less Current Liabilities		**132,580**	73,194

The accompanying notes form an integral part of these financial statements.

Balance Sheet

at 31 March 2007

	Notes	2007	2006
		HK$'000	*HK$'000*
			(Restated)
ASSETS			
Non-Current Assets			
Investments in subsidiaries	9	**14,296**	14,526
Current Assets			
Cash and bank balances		**345**	606
Prepayments, deposits and other receivables	12	**2,046**	260
Amounts due from subsidiaries	9	**54,876**	20,397
		57,267	21,263
Total Assets		**71,563**	35,789
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**19,043**	18,727
Reserves	14	**22,954**	13,382
Proposed dividend	27	**2,744**	–
Total Equity		**44,741**	32,109
LIABILITIES			
Non-Current Liabilities			
Long-term bank loans	15	**17,667**	–
Current Liabilities			
Other payables and accruals	18	**2,862**	2,256
Taxation payable		**58**	58
Amounts due to subsidiaries	9	**739**	320
Current portion of long-term bank loans	15	**4,680**	–
Financial guarantee liabilities	19	**816**	1,046
		9,155	3,680
Total Liabilities		**26,822**	3,680
Total Equity and Liabilities		**71,563**	35,789
Net Current Assets		**48,112**	17,583
Total Assets Less Current Liabilities		**62,408**	32,109

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

For the Year Ended 31 March 2007

	Notes	2007	2006
		HK$'000	*HK$'000*
Revenue	20	**119,538**	98,197
Cost of goods sold		**(69,475)**	(60,347)
Gross profit		**50,063**	37,850
Other revenue	20	**1,358**	411
Gain on liquidation of a subsidiary	21	**7,256**	–
Selling and distribution expenses		**(7,192)**	(5,087)
General and administrative expenses		**(27,875)**	(18,553)
Profit from operating activities	22	**23,610**	14,621
Finance costs, net	23	**(4,145)**	(1,955)
Profit before taxation		**19,465**	12,666
Taxation	25	**(3,279)**	(1,306)
Net profit for the year		**16,186**	11,360
Attributable to:			
Equity holders of the Company		**16,582**	11,360
Minority interests		**(396)**	–
		16,186	11,360
Dividend	27	**2,744**	–
Earnings per share for profit attributable to the equity holders of the Company	28		
- Basic		**HK14.93 cents**	HK10.61 cents
- Diluted		**HK12.44 cents**	HK10.12 cents

All of the Company's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2007

	Share capital	Share premium	Statutory fund reserves	Exchange reserve	Warrant reserve	Retained earnings	Proposed dividend	Total
	HK$'000	*HK$'000*	*HK$000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 April 2005	17,731	13,297	153	–	–	16,755	–	47,936
Issuance of shares (Note 13(a))	918	2,808	–	–	–	–	–	3,726
Share issue expenses	–	(117)	–	–	–	–	–	(117)
Exchange realignment	–	–	–	400	–	–	–	400
Issue of warrants (Note 13(b))	–	–	–	–	6,055	–	–	6,055
Conversion of warrants into shares	78	208	–	–	(52)	–	–	234
Expenses on issue of warrants	–	–	–	–	(1,155)	–	–	(1,155)
Net profit for the year	–	–	–	–	–	11,360	–	11,360
Balance as at 31 March 2006 and as at 1 April 2006	18,727	16,196	153	400	4,848	28,115	–	68,439
Conversion of warrants into shares	316	659	–	–	(73)	–	–	902
Exchange realignment	–	–	–	1,219	–	–	–	1,219
Net profit for the year	–	–	–	–	–	16,582	–	16,582
Proposed dividend (Note 27)	–	–	–	–	–	(2,744)	2,744	–
Balance as at 31 March 2007	**19,043**	**16,855**	**153**	**1,619**	**4,775**	**41,953**	**2,744**	**87,142**

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 March 2007

	Notes	2007	2006
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before taxation		**19,465**	12,666
Adjustments for:			
Interest income	20	**(365)**	(40)
Finance costs	23	**4,194**	2,049
Loss/(gain) on sale of property, plant and equipment		**112**	(34)
Depreciation	7	**10,688**	6,169
Provision for impairment loss on inventory obsolescence		**–**	91
Provision for impairment loss on trade receivables		**–**	204
Gain on liquidation of a subsidiary	21	**(7,256)**	–
Exchange difference		**1,142**	–
Operating profit before changes in working capital		**27,980**	21,105
Increase in inventories		**(7,845)**	(7,108)
Increase in trade receivables		**(1,597)**	(1,430)
Increase in prepayments, deposits and other receivables		**(1,446)**	(7,398)
Increase in trade and bills payables		**1,107**	11,943
Increase in other payables and accruals		**4,270**	306
Cash generated from operating activities		**22,469**	17,418
Interest paid		**(4,194)**	(2,049)
Income tax paid		**(811)**	(695)
Net cash generated from operating activities		**17,464**	14,674
Cash flows from investing activities			
Purchases of property, plant and equipment		**(23,375)**	(20,784)
Proceeds from sale of property, plant and equipment		**244**	305
Increase in bank deposit maturing beyond one year		**(1,162)**	–
Interest received		**365**	40
Increase in construction in progress		**(18,484)**	–
Increase in deposits paid for acquiring a lease		**(7,143)**	–
Net cash used in investing activities		**(49,555)**	(20,439)
Cash flows from financing activities			
Proceeds from issue of ordinary shares to subscribers of the Company, net of expenses		**–**	3,609
Proceeds from issue of warrants, net of expenses		**–**	4,900
Proceeds from drawdown of bank loans		**51,827**	7,485
Repayments of bank loans		**(9,503)**	(6,117)
Finance lease principal payments		**(4,362)**	(2,047)
Proceeds from shares issued under warrants		**975**	–
Net cash generated from financing activities		**38,937**	7,830
Net increase in cash and cash equivalents		**6,846**	2,065
Cash and cash equivalents at the beginning of the year		**11,473**	9,408
Cash and cash equivalents at the end of the year		**18,319**	11,473
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**22,293**	14,907
Bank overdraft, secured		**(3,974)**	(3,434)
		18,319	11,473

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

31 March 2007

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Superior Fastening Technology Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda on 12 March 2003 as an exempted company with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company acts as an investment holding company and provides corporate management services to group companies. Its subsidiaries are principally engaged in manufacturing and trading of fasteners and providing surface treatment services.

The Company's shares are listed and its primary listing is on the Singapore Exchange Securities Trading Limited.

The Directors consider China Network Group Limited, a company incorporated in the British Virgin Islands, to be the ultimate parent company of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of Superior Fastening Technology Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations ("IFRIC") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee. The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities are measured at fair value.

The Group's operations are principally conducted in the People's Republic of China (the "PRC"). The consolidated financial statements have been prepared in Hong Kong dollars which is the Company's functional and presentation currency and all values are rounded to the nearest thousand ("HK$'000") except otherwise indicated.

(b) Change in accounting policies

Adoption of new and revised IFRSs

In the current year, the Group has applied, for the first time, a number of new and revised IFRSs which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006.

IFRS 1 & 6 (Amendments)	First-time Adoption of International Financial Reporting Standards and Exploration for and Evaluation of Mineral Assets
IFRS 6	Exploration for and Evaluation of Mineral Assets
IAS 19 (Amendment)	Employee Benefits
IAS 21 (Amendment)	Net Investment in a Foreign Operation
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 and IFRS 4 (Amendments)	Financial Guarantee Contracts
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Change in accounting policies (Continued)

The adoption of the new IFRSs has resulted in changes to the Group's accounting policies in the following areas that affected the amounts reported for the current or prior accounting periods:

Net investment in a foreign operation

This amendment relates to the circumstances under which a loan from one entity to another can be regarded as part of the net investment in a foreign operation, and hence the circumstances under which exchange differences arising on those loans would be recorded directly in equity.

Financial guarantee contracts

In the current year, the Group has applied IAS 39 and IFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by IAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with IFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transactions costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

In relation to a number of financial guarantees granted by the Company to its subsidiaries over the banking facilities, the Company has applied the transitional provisions of IAS 39. The fair value of the financial guarantee contract at 31 March 2006 of HK$1,046,000 has been adjusted to financial guarantee liability. This change in accounting policy has resulted in an increase in investments in subsidiaries of the Company at 31 March 2006. The fair value of the financial guarantee contract at 31 March 2007 decreased to HK$816,000. The change of fair value had no effect on the income statement of the Company.

New and revised IFRSs not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

	Effective for accounting period beginning on or after
IFRS 7, Financial Instruments: Disclosures	1 January 2007
IFRS 8, Operating Segments	1 January 2009
IAS 1 (Amendment), Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 23 (Amendment), Borrowing Costs	1 January 2009
IFRIC 8, Scope of IFRS 2	1 May 2006
IFRIC 9, Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10, Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11, IFRS 2: Group and Treasury Share Transactions	1 March 2007
IFRIC 12, Service Concession Arrangements	1 January 2008

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Change in accounting policies (Continued)

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arsing from those financial instruments and also incorporates many of the disclosure requirements of IAS 32.

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(d) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

(e) Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets (Continued)

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

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation for leasehold improvement is calculated on the straight-line method to write off the cost over the lease term. Depreciation on other assets is calculated using the straight-line or diminishing balance methods to allocate their costs to their residual values over their estimated useful lives as follows:

Leasehold improvement	Shorter of useful lives or over the lease periods
Plant and machinery	10% diminishing balance method
Furniture and fixtures	20% diminishing balance method
Motor vehicles	20% diminishing balance method
Office equipment	25% straight-line method
Moulds	33% straight-line method

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

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

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

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derecognition of financial assets

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

– the rights to receive cash flows from the asset have expired;

– the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

– the Group has transferred its rights to receive cash flows from the asset and either (a) as transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the provision for impairment loss of trade receivables. Subsequent recoveries of amounts previously written off are credited against in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transactions costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required settled the obligations.

(o) Income taxes

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

– where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes (Continued)

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

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

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

(p) Employee benefit – pension obligations

The companies within the Group operate a number of defined contribution plans based on local practices and regulations. The pension plans are funded by payments from employees and by the companies within the Group. The plans cover full-time employees and provide for contributions of certain percentages of the applicable payroll costs. Once the contributions have been paid, the companies within the Group have no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(q) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

(s) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction cost that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(t) Current liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Foreign currency translation

(i) Functional and presentation currency

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

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currency translation (Continued)

(ii) Transactions and balances

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

(iii) Group companies

The results and functional position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

(c) all resulting exchange difference are recognised as a separate component of equity.

(v) Related party transactions

A party is considered to be related to the Group if:

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

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

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(w) Segment reporting

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

Inter-segment pricing is based on similar terms as those available to other external parties.

Notes to Financial Statements

31 March 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Segment reporting (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. 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 enterprises within a single segment.

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

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financial expenses.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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.

Critical accounting estimates and judgments

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

(a) Impairment of property, plant and equipment

In accordance with IAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(b) Income tax

The Group is subject to income taxes in Hong Kong, the PRC and Singapore. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

Notes to Financial Statements

31 March 2007

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise finance leases and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Cash flow interest rate risk

As the Group's has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest-bearing borrowings and finance leases. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. The Group is monitoring continuously the impact of this exposure.

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other that the units' functional currency. The Group's markets are mainly located in Hong Kong, the PRC and South East Asia and other regions and its sales are denominated in Hong Kong dollars, Renminbi and United States dollars respectively whilst almost all of costs are denominated on the units' functional currency.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of trade receivables included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the consolidated financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of available adequate credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Fair value estimation

Financial assets of the Group included cash and cash equivalents, inventories, trade receivables, prepayments, deposits and other receivables. Financial liabilities of the Group included bank overdraft, trade and bills payables, other payables and accruals, bank loans and finance lease liabilities.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, if any, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Notes to Financial Statements

31 March 2007

5. SEGMENT INFORMATION

Primary reporting format – Business segments

At 31 March 2007, the Group is primarily engaged in two business segments, fasteners (manufacturing of screws) and surface treatment (provision of electro-plating services).

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

	Results by business segments			
	2007			
	Fasteners	Surface treatment	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
External sales	106,422	13,116	–	119,538
Inter-segment sales	–	9,575	(9,575)	–
Total revenue	106,422	22,691	(9,575)	119,538
Segment results	45,146	4,917	–	50,063
Unallocated expenses				(26,453)
Operating profit				23,610
Finance costs, net				(4,145)
Profit before taxation				19,465
Taxation				(3,279)
Net profit for the year				16,186
Segment assets	155,112	11,471	–	166,583
Unallocated assets				31,884
Total assets				198,467
Segment liabilities	88,780	15,720	–	104,500
Unallocated liabilities				6,825
Total liabilities				111,325
Other information:				
Capital expenditure	54,062	7,450	–	61,512
Depreciation	9,538	1,150	–	10,688

Notes to Financial Statements

31 March 2007

5. SEGMENT INFORMATION (CONTINUED)

Primary reporting format - Business segments (Continued)

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

	Results by business segments			
	2006			
	Fasteners	Surface treatment	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
External sales	92,476	5,721	–	98,197
Inter-segment sales	–	5,811	(5,811)	–
Total revenue	92,476	11,532	(5,811)	98,197
Segment results	17,673	2,751	–	20,424
Unallocated expenses				(5,803)
Operating profit				14,621
Finance costs, net				(1,955)
Profit before income tax				12,666
Income tax expense				(1,306)
Net profit for the year				11,360
Segment assets	107,744	12,987	–	120,731
Unallocated assets				7,832
Total assets				128,563
Segment liabilities	48,084	5,734	–	53,818
Unallocated liabilities				6,306
Total liabilities				60,124
Other information:				
Capital expenditure	15,786	8,216	–	24,002
Depreciation	5,408	761		6,169

Notes to Financial Statements

31 March 2007

5. SEGMENT INFORMATION (CONTINUED)

Secondary reporting format - Geographical segments

Geographical locations of the Group principally comprise of Hong Kong ("HK") and the PRC, South East Asia and other regions. Sales are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

	2007			2006		
	Sales	Total assets	Capital expenditure	Sales	Total assets	Capital expenditure
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HK and the PRC	**91,350**	**194,479**	**61,512**	82,133	125,244	23,849
South East Asia	**6,477**	**3,988**	**–**	3,847	1,848	153
Other regions	**21,711**	**–**	**–**	12,217	1,471	–
	119,538	**198,467**	**61,512**	98,197	128,563	24,002

6. BANK DEPOSITS

The bank deposits bear interest at 1.85% per annum and will mature beyond 12 months.

Notes to Financial Statements

31 March 2007

7. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvement	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
At 1 April 2005	12,109	29,406	1,939	1,947	939	1,996	48,336
Additions	5,426	12,462	103	783	177	5,051	24,002
Transfer	1,465	–	–	–	–	–	1,465
Written back on disposal	–	–	–	(720)	(3)	–	(723)
At 31 March 2006 and at 1 April 2006	19,000	41,868	2,042	2,010	1,113	7,047	73,080
Additions	3,445	23,579	–	2,835	3,341	2,685	35,885
Written back on disposal	(1,075)	–	(781)	–	–	–	(1,856)
Exchange realignment	576	418	26	25	43	65	1,153
At 31 March 2007	21,946	65,865	1,287	4,870	4,497	9,797	108,262
Accumulated depreciation and impairment:							
At 1 April 2005	2,109	4,616	644	842	529	298	9,038
Charge for the year	1,093	3,179	214	318	136	1,229	6,169
Written back on disposal	–	–	–	(450)	(3)	–	(453)
At 31 March 2006 and at 1 April 2006	3,202	7,795	858	710	662	1,527	14,754
Charge for the year	1,123	4,509	473	743	1,180	2,660	10,688
Written back on disposal	(777)	–	(723)	–	–	–	(1,500)
Exchange realignment	131	939	12	31	23	17	1,153
At 31 March 2007	3,679	13,243	620	1,484	1,865	4,204	25,095
Net book value:							
At 31 March 2007	**18,267**	**52,622**	**667**	**3,386**	**2,632**	**5,593**	**83,167**
At 31 March 2006	15,798	34,073	1,184	1,300	451	5,520	58,326

Note:

The cost, accumulated depreciation and net book value of property, plant and equipment of the Group as at 31 March 2007 included assets held under finance leases of approximately HK$10,541,000, HK$1,518,000 and HK$9,023,000 (2006: HK$5,525,000, HK$1,237,000 and HK$4,288,000) respectively.

In addition, certain plant and machinery of the Group with an aggregate net book value of approximately HK$32,079,000 (2006: HK$12,570,000) were pledged to secure the bank loan facilities granted by certain financial institutions (Note 31).

Notes to Financial Statements

31 March 2007

8. CONSTRUCTION IN PROGRESS

	Group
	HK$'000
At 1 April 2005	1,465
Transfer to leasehold improvement	(1,465)
At 31 March 2006 and at 1 April 2006	–
Additions	18,484
At 31 March 2007	**18,484**

Analysis of construction-in-progress

	2007	2006
	HK$'000	*HK$'000*
Construction cost of factory premises	**18,484**	–

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Unlisted investments, at cost	**14,296**	14,526
Amounts due from subsidiaries	**62,576**	28,097
Less: Provision for impairment loss on amounts due from subsidiaries	**(7,700)**	(7,700)
	54,876	20,397
Amounts due to subsidiaries	**739**	320

The amounts due from and to subsidiaries are unsecured, interest free and have no fixed terms of repayment. As at 31 March 2007, the company had equity interests in the following subsidiaries:

Name of subsidiaries	Principal activities	Date and country of incorporation	Issued and fully paid-in capital	Percentage of equity interest held
Billion East Limited [1]	Investment holding	13 March 2003 (the British Virgin Islands)	US$2	100%
Chain Dragon Asia Limited ("Chain Dragon")	Investment holding	15 October 1996 (Hong Kong)	HK$2	100%
Evermore Overseas Limited [1]	Investment holding	12 July 2005 (the British Virgin Islands)	US$1	100%

Notes to Financial Statements

31 March 2007

9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Date and country of incorporation	Issued and fully paid-in capital	Percentage of equity interest held
Genstar Holdings Limited [1]	Investment holding	6 March 2003 (the British Virgin Islands)	US$2	100%
Goodford Limited ("Goodford")	Investment holding	30 August 2006 (Hong Kong)	HK$1	100%
Joyful Mount Ltd. ("Joyful Mount") [1]	Investment holding	29 September 2006 (the British Virgin Islands)	US$1	100%
Max Gold Ltd. [1]	Investment holding	2 January 2004 (the British Virgin Islands)	US$1	100%
Newsky Global Limited [1]	Investment holding	6 March 2003 (the British Virgin Islands)	US$2	100%
Silver Star Electro-Plating Co., Limited ("Silver Star")	Provision of surface treatment services	7 February 1995 (Hong Kong)	HK$2	100%
Sportmax Ltd. [1]	Investment holding	13 March 2003 (the British Virgin Islands)	US$2	100%
Superior Fastening (Shanghai) Ltd. ("Superior Shanghai")	Manufacturing of fasteners	19 March 2004 (the PRC)	HK$11,517,218	100%
Superior Fasteners (S) Pte Ltd. [2]	Trading of fasteners	22 July 2003 (Singapore)	S$2	100%
Superior Metal Hardware Products (Huizhou) Ltd. ("Superior Metal")	Manufacturing and trading of fasteners	15 August 2003 (the PRC)	HK$3,000,000	100%
Superior Screws Manufacturers Limited ("Superior HK")	Manufacturing and trading of fasteners	3 March 1999 (Hong Kong)	HK$2	100%
WUXI BSM Co., Ltd. ("WUXI BSM")	Manufacturing and trading of fasteners	4 December 2006 (the PRC)	US$1,000,000	51%

[1] Not required to be audited by law of the country of incorporation of that subsidiary
[2] Audited by Y M Kew & Co., a Certified Public Accountants in Singapore

Notes to Financial Statements

31 March 2007

10. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**2,458**	3,164
Work in progress	**2,856**	1,944
Finished goods	**16,003**	8,364
	21,317	13,472
Less: Provision for Impairment loss on obsolescence of inventories	**(91)**	(91)
	21,226	13,381

As at 31 March 2007, inventories of approximately HK$2,120,000 (2006: HK$1,247,000) were stated at net realisable value.

Movements on the provision for impairment recognised in respect of obsolescene of inventories:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Balance at the beginning of the year	**91**	–
Impairment loss recognised during the year	**–**	91
Balance at the end of the year	**91**	91

11. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**31,958**	30,361
Less: Provision for impairment loss on trade receivables	**(204)**	(204)
	31,754	30,157

The carrying amount of trade receivables approximate to their fair value.

Notes to Financial Statements

31 March 2007

11. TRADE RECEIVABLES (CONTINUED)

Movements on the provision for impairment loss on trade receivables:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Balance at the beginning of the year	**204**	–
Impairment loss recognised during the year	**–**	204
Balance at the end of the year	**204**	204

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**362**	916	**–**	–
Deposits paid	**6,696**	7,654	**32**	–
Prepayments	**5,180**	2,222	**2,014**	260
	12,238	10,792	**2,046**	260

The carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

Notes to Financial Statements

31 March 2007

13. SHARE CAPITAL

For the year ended 31 March 2007 and 31 March 2006, details of the share capital of the Company are as follows:

	Note	Number of shares	Amount
		'000	*HK$'000*
Authorised:			
At 31 March 2006 and 2007, Ordinary shares of HK$0.17 each		588,235	100,000
Issued and fully paid:			
At 1 April 2005, ordinary shares of HK$0.17 each		104,300	17,731
Issuance of shares	(a)	5,400	918
Conversion of warrants into shares	(b)	462	78
At 31 March 2006 and at 1 April 2006, ordinary shares of HK$0.17 each		110,162	18,727
Conversion of warrants into shares	(c)	1,855	316
At 31 March 2007, ordinary shares of HK$0.17 each		**112,017**	**19,043**

(a) On 13 June 2005, the Company entered into a placement agreement with an independent third party for the subscription of 5,400,000 new ordinary shares of HK$0.17 each in the capital of the Company at the placement prices of S$0.15 each for each new share. Upon completion, share premium of HK$2,808,000 was recognised in the financial statements. All the shares rank pari passu in all respects with the existing shares of the Company.

(b) During the year ended 31 March 2006, Warrants at an issue price of S$0.03 were issued to the shareholders of the Company on the basis of two Warrants for every five existing ordinary shares of HK$0.17 each in the Company. Each Warrant entitles its holder to subscribe for one new ordinary share of HK$0.17 each in the capital of the company at the exercise price of S$0.11 during a three year period, 43,878,480 Warrants were issued and 462,100 were converted into ordinary shares before the year ended 31 March 2006. During the year, 462,100 Warrants were exercised for 462,100 shares of HK$0.17 each at a price of S$0.11.

(c) During the year ended 31 March 2007, 1,855,000 Warrants were exercised for 1,855,000 shares of HK$0.17 each at a price of S$0.11.

Notes to Financial Statements

31 March 2007

14. RESERVES

Group

	Share premium	Statutory fund reserves	Exchange reserve	Warrant reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 April 2005	13,297	153	–	–	16,755	30,205
Issuance of shares (Note 13(a))	2,808	–	–	–	–	2,808
Share issue expenses	(117)	–	–	–	–	(117)
Exchange realignment	–	–	400	–	–	400
Issue of warrants (Note 13(b))	–	–	–	6,055	–	6,055
Conversion of warrants into shares	208	–	–	(52)	–	156
Expenses on issue of warrants	–	–	–	(1,155)	–	(1,155)
Net profit for the year	–	–	–	–	11,360	11,360
Balance as at 31 March 2006 and as at 1 April 2006	16,196	153	400	4,848	28,115	49,712
Conversion of warrants into shares	659	–	–	(73)	–	586
Exchange realignment	–	–	1,219	–	–	1,219
Net profit for the year	–	–	–	–	16,582	16,582
Proposed dividend (Note 27)	–	–	–	–	(2,744)	(2,744)
Balance as at 31 March 2007	**16,855**	**153**	**1,619**	**4,775**	**41,953**	**65,355**

a) Under the relevant PRC laws and regulations and the Articles and Associations of the PRC subsidiaries, the PRC subsidiaries are required to appropriate certain percentage of their respective net profit to two statutory reserves – the reserve fund and the staff and workers' bonus and welfare fund. Details of the two funds are as follows:

(i) Reserve fund

The PRC subsidiaries are required to appropriate at no less than 10% of the companies' net profit to the reserve fund until such fund reaches 50% of the companies' registered capital.

(ii) Staff and workers' bonus and welfare fund

The PRC subsidiaries are at their discretionary to appropriate certain percentage of the company's net profit to the staff and workers' bonus and welfare fund which are charged to the income statement as expenses.

During the year ended 31 March 2006 and 2007. No transfer of profit to both reserve fund and staff and workers' bonus and welfare fund.

Notes to Financial Statements

31 March 2007

14. RESERVES (CONTINUED)

Company

	Share premium	Warrant reserve	Retained earnings/ (accumulated loss)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 April 2005	13,297	–	272	13,569
Issuance of shares (Note 13(a))	2,808	–	–	2,808
Share issue expenses	(117)	–	–	(117)
Issue of warrants (Note 13(b))	–	6,055	–	6,055
Expenses on issue of warrants	–	(1,155)	–	(1,155)
Conversion of warrants into shares	208	(52)	–	156
Net loss for the year	–	–	(7,934)	(7,934)
Balance as at 31 March 2006 and as at 1 April 2006	16,196	4,848	(7,662)	13,382
Conversion of warrants into shares	659	(73)	–	586
Net profit for the year	–	–	11,730	11,730
Proposed dividend (Note 27)	–	–	(2,744)	(2,744)
Balance as at 31 March 2007	**16,855**	**4,775**	**1,324**	**22,954**

15. LONG-TERM BANK LOANS AND BANK OVERDRAFT

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Long-term bank loans (repayable later than 1 year and not later than 5 years)	**37,723**	3,909	**17,667**	–
Current				
Bank overdrafts	**3,974**	3,434	**–**	–
Current portion of long-term bank loans	**13,730**	5,220	**4,680**	–
	17,704	8,654	**4,680**	–
Total bank borrowings	**55,427**	12,563	**22,347**	–

Notes to Financial Statements

31 March 2007

15. LONG-TERM BANK LOANS AND BANK OVERDRAFT (CONTINUED)

The effective interest rates at the balance sheet date were as follows:

	Group		Company	
	2007	2006	**2007**	2006
Bank overdrafts	**8.25%**	6.5%	**–**	–
Bank loans	**7.71%**	7.76%	**4.5%**	–

The bank loans and overdrafts of the Group were secured by:

(a) Several personal guarantees provided by certain directors; and

(b) Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$32,079,000 (2006: HK$12,570,000) (Note 7).

The bank loans of the Company were secured by:

(a) Corporate guarantees provided by certain subsidiaries of the Group; and

(b) Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$23,750,000 (2006: Nil).

16. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	**4,807**	840
Later than 1 year and not later than 5 years	**5,671**	540
	10,478	1,380
Future finance charges on finance leases	**(1,075)**	(125)
Present value of finance lease liabilities	**9,403**	1,255

The present value of finance lease liabilities is as follows:

Not later than 1 year	**4,471**	777
Later than 1 year and not later than 5 years	**4,932**	478
	9,403	1,255

The effective interest rate at the balance sheet date was 3.4% (2006: 3.1%) per annum.

Notes to Financial Statements

31 March 2007

17. DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2006: 17.5%).

The movement on the deferred tax liabilities is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April 2006/2005	**368**	108
Charge to income statement (Note 25)	**2,415**	260
At 31 March 2007/2006	**2,783**	368

Deferred tax liabilities as shown above is due to the accelerated tax depreciation of property, plant and equipment resulting in the tax bases being lower than carrying amounts.

18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**65**	99	**–**	498
Accrued salaries	**2,987**	1,736	**1,897**	1,104
Accrued professional fees	**853**	498	**573**	450
Accrued operating expenses	**788**	3,256	**–**	–
Trade deposits received	**672**	892	**–**	204
Other accruals	**1,008**	1,878	**392**	–
Value-added tax payable	**1,154**	–	**–**	–
Business tax payable	**–**	3,438	**–**	–
	7,527	11,797	**2,862**	2,256

19. FINANCIAL GUARANTEE LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Guarantees given to certain subsidiaries for banking facilities	**–**	–	**816**	1,046

The Company recognised the financial guarantee liabilities on guarantees given to certain subsidiaries for banking facilities due to the adoption of new IFRSs as disclosed in Note 2.

Notes to Financial Statements

31 March 2007

20. REVENUE AND OTHER REVENUE

Analysis of the Group's sales is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of fasteners, net of VAT	**106,422**	92,476
Surface treatment service income, net of VAT	**13,116**	5,721
	119,538	98,197
Other revenue		
Interest income	**365**	40
Disposal income	**–**	34
Sundry income	**993**	337
	1,358	411

21. GAIN ON LIQUIDATION OF A SUBSIDIARY

Net liabilities disposed of:

	2007	2006
	HK$'000	*HK$'000*
Business tax payable	**3,438**	–
Other payables and accruals	**3,332**	–
Exchange reserve released on liquidation	**486**	–
Gain on liquidation of a subsidiary	**7,256**	–

The subsidiary liquidated during the year ended 31 March 2007 did not have any significant impact on the Group's cash outflows, turnover and operating result.

Notes to Financial Statements

31 March 2007

22. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities was determined after charging/(crediting) the following:

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**69,475**	60,347
Employee benefit expense (including directors' emoluments (Note 26))	**21,622**	8,774
Depreciation of property, plant and equipment	**10,688**	6,169
Operating lease rental on property	**1,325**	1,132
Auditors' remuneration*	**536**	450
Repairs and maintenance expense on property, plant and machinery	**1,111**	502
Loss/(gain) on disposal of property, plant and equipment	**112**	(34)
Provision for impairment loss on obsolescence of inventories	**–**	91
Provision for impairment loss on trade receivables	**–**	204
Gain on liquidation of a subsidiary	**(7,256)**	–

* No non audit fee was paid to the auditors by the Group during the finanical year (2006:Nil).

23. FINANCE COSTS, NET

	2007	2006
	HK$'000	*HK$'000*
Interest on bank advance and other borrowing wholly repayable within five years	**2,123**	469
Interest on other loans	**374**	280
Finance charges on obligations under finance lease	**315**	275
Interest on bills payable	**1,382**	1,025
	4,194	2,049
Net foreign exchange transaction gain	**(49)**	(94)
	4,145	1,955

24. EMPLOYEE BENEFIT EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Wages and salaries	**20,793**	8,632
Pension costs – defined contribution plans	**829**	142
	21,622	8,774
Number of full-time employees at end of the year	**572**	500

Notes to Financial Statements

31 March 2007

25. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Current taxation		
Provision for the year		
- Hong Kong	**–**	–
- the PRC	**846**	1,053
- Singapore	**11**	–
(Over)/under-provision in previous year		
- Singapore	**–**	(7)
- Hong Kong	**7**	–
	864	1,046
Deferred taxation (Note 17)	**2,415**	260
	3,279	1,306

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

The Group – for the year ended 31 March 2007

	HONG KONG		**THE PRC**		**SINGAPORE**		**TOTAL**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before taxation	**12,082**		**7,448**		**(65)**		**19,465**	
Tax at the statutory tax rate	**2,114**	**17.5**	**1,788**	**24.0**	**(12)**	**(18.0)**	**3,890**	**20.0**
Tax exemption	**–**	**–**	**(5,402)**	**(72.5)**	**(14)**	**(21.8)**	**(5,416)**	**(27.8)**
(Over)/under-provision in previous year	**7**	**0.1**	**–**	**–**	**–**	**–**	**7**	**–**
Utilisation of previously unrecognised tax assets	**984**	**8.2**	**8,787**	**118.0**	**–**	**–**	**9,771**	**50.2**
Expenses not deductible for tax	**627**	**5.2**	**–**	**–**	**30**	**46.1**	**657**	**3.3**
Tax effect on income not taxable	**(1,327)**	**(11.0)**	**(4,303)**	**(57.8)**	**–**	**–**	**(5,630)**	**(28.9)**
Tax charge for year	**2,405**	**20.0**	**870**	**11.7**	**4**	**6.3**	**3,279**	**16.8**

Notes to Financial Statements

31 March 2007

25. INCOME TAX EXPENSE (CONTINUED)

The Group – for the year ended 31 March 2006

	HONG KONG		THE PRC		SINGAPORE		TOTAL	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before taxation	19,564		(8,624)		1,726		12,666	
Tax at the statutory tax rate	3,424	17.5	(2,070)	(24.0)	345	20.0	1,699	13.4
Tax exemption	–	–	(722)	(8.4)	–	–	(722)	(5.7)
(Over)/under-provision in previous year	(776)	(4.0)	–	–	(2)	(0.1)	(778)	(6.1)
Tax effect of estimated tax loss not recognised	729	3.7	–	–	–	–	729	5.8
Expenses not deductible for tax	814	4.2	4,184	48.5	5	0.3	5,003	39.5
Tax effect on income not taxable	(4,005)	(20.5)	(265)	(3.1)	(355)	(20.6)	(4,625)	(36.5)
Tax charge for year	186	0.9	1,127	13.0	(7)	(0.4)	1,306	10.4

(a) Hong Kong profits tax has been provided for the Company and subsidiaries incorporated in Hong Kong at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

(b) There are two subsidiaries incorporated in the PRC, Superior Metal and Superior Shanghai which are subject to the Enterprise Income Tax (the "EIT") of the PRC at an EIT rate of 24% on taxable profits. The subsidiaries are exempted from the PRC EIT in the first two profit making years followed by a 50% reduction for the consecutive three years thereafter.

Superior Metal was incorporated in August 2003 and was exempted from the PRC EIT tax for the period from 1 January 2004 to 31 December 2004 and began enjoying a 50% reduction on the EIT rate from 1 January 2005. Superior Shanghai was incorporated in March 2004 and was exempted from the PRC EIT tax for the period from 1 January 2006 and began enjoying a 50% reduction on the EIT rate from 1 January 2008.

26. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments paid/payable to the directors during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Fees	**713**	690
Other emoluments	**3,700**	2,477
Pension costs – defined contribution plans	**24**	24
	4,437	3,191

Notes to Financial Statements

31 March 2007

26. DIRECTORS' EMOLUMENTS (CONTINUED)

Analysis of directors' emoluments by number of directors and emolument band is as follows:

	NUMBER OF DIRECTORS	
	2007	2006
Executive directors		
– S$250,000 to below S$500,000 (equivalent to approximately HK$1,225,000 to HK$2,450,000)	**3**	–
– Below S$250,000 (equivalent to approximately HK$1,225,000)	**–**	3
Total	**3**	3
Non-executive and Independent directors		
– Below S$250,000 (equivalent to approximately HK$1,225,000)	**3**	3

27. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed dividend of S$0.005 (HK$0.0245) (2006: Nil) per ordinary share	**2,744**	–

A dividend in respect of 2007 of S$0.005 (HK$0.0245) per share, amounting to a total dividend of HK$2,744,000 (2006: Nil) is to be proposed at the annual general meeting of the Company on 27 July 2007. The financial statements do not reflect the dividend payable.

28. EARNINGS PER SHARE

Basic

Earnings per share is calculated by dividing the Group's net profit for the year of HK$16,582,000 (2006: HK$11,360,000) by the weighted average of 111,049,075 (2006: 107,093,135) ordinary shares issued during the year.

Diluted

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company of HK$16,582,000 (2006: HK$11,360,000) and the weighted average number of ordinary shares of 133,298,706 (2006: 112,260,808) in issue during the year.

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to shareholders	**16,582**	11,360

28. EARNINGS PER SHARE (CONTINUED)

	NUMBER OF SHARES	
	2007	2006
	'000	*'000*
Weighted average number of ordinary shares in issue	**111,049**	107,093
Incremental shares from exercise of warrants	**22,250**	5,168
Diluted weighted average number of shares	**133,299**	112,261
Basic earnings per ordinary share	**HK14.93 cents**	HK10.61 cents
Diluted earnings per ordinary share	**HK12.44 cents**	HK10.12 cents

29. COMMITMENTS

(a) Capital commitments

Capital commitments for property, plant and equipment at the balance sheet date are as follows:

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for	**–**	5,019
Authorised but not contracted for	**–**	3,978
	–	8,997

(b) Operating lease commitments

The Group leases various offices, factory premises and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007	2006
	HK$'000	*HK$'000*
Not later than 1 year	**450**	569
Later than 1 year and not later than 5 years	**1,061**	1,829
Later than 5 years	**1,535**	10,448
	3,046	12,846

Notes to Financial Statements

31 March 2007

30. CONTINGENT LIABILITIES

The maximum amount of contingent liabilities on the guarantees given to certain subsidiaries for banking facilities by the Group and the Company is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to certain subsidiaries for banking facilities	**–**	–	**28,470**	13,898

Apart from as disclosed above, the Group and the Company had no other contingent liabilities at the balance sheet date.

31. BANKING FACILITIES

Aggregate banking facilities of the Group as at 31 March 2007 were approximately HK$88,529,000 (2006: HK$72,900,000) of which the unused facilities as at the same date amounted to approximately HK$60,059,000 (2006: 59,002,000). These facilities related to overdrafts, loans and trade financing and were secured by:

(a) Several personal guarantees provided by certain directors;

(b) Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$32,079,000 (2006: HK$12,570,000) (Note 7); and

(c) Corporate guarantees provided by certain subsidiaries of the Group.

32. EMPLOYEE SHARE OPTION SCHEME

On 27 October 2003, the shareholders of the Company approved a share option scheme known as the Superior Employee Share Option Scheme (the "ESOS"). The ESOS is administered by the Remuneration Committee comprising Mr. Chan Kam Fuk, Mr. See Yen Tarn and Mr. Tan Chong Huat, directors of the Group. The ESOS will provide eligible participants, such as the executive directors, non-executive directors and employees of the Group who are not controlling shareholders or their associates except for Mr. Lam Tse Shing, with an opportunity to participate in the equity of the Group and to motivate them towards better performance through increased dedication and loyalty. The aggregate number of shares over which the Remuneration Committee may grant options on any date shall not exceed 15% of the issued shares of the participants, exercise price, exercise period and the timing of such grant are to be determined at the absolute discretion of the Remuneration Committee.

During the year ended 31 March 2007 and 2006, the Company had not granted any share option to the eligible participants.

33. EMPLOYEE SHARE AWARDS SCHEME

On 31 July 2006, the shareholders of the Company approved a share-based incentive scheme known as the Superior Fastening Technology Share Plan (the "Plan"). The Plan is administered by the Remuneration Committee comprising Mr. Chan Kam Fuk, Mr. See Yen Tarn and Mr. Tan Chong Huat, directors of the Group. The Plan will provide eligible participants, such as the non-executive directors and employees of the Group who are not controlling shareholders or their associates, with an opportunity to participate in the equity of the Group and to motivate them to greater dedication, loyalty and higher standards of performance.

Notes to Financial Statements

31 March 2007

33. EMPLOYEE SHARE AWARDS SCHEME (CONTINUED)

Under the Plan, awards are granted to eligible participants. Awards represent the conferred by the Company on a participant to be issued or transferred shares in the Company, free of charge and in accordance with the rules as set out in Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The aggregate number of shares over which the Remuneration Committee may grant awards on any date, when added to the number of new shares issued and issuable in respect of all shares granted under this Plan and other existing share schemes or share option schemes implemented or to be implemented by the Company, shall not exceed 15% of the issued share capital of the Company on the date preceding that date.

During the year ended 31 March 2007, the Company had not granted any share awards to the eligible participants.

34. RELATED PARTY TRANSACTIONS

For the year ended 31 March 2007, the Group had total compensation for key management personnel comprising the directors of the Company at approximately HK$5,621,000 (2006: HK$4,219,005).

Apart from the transactions disclosed above and disclosed in Note 9, the Group and the Company had no other material transactions with related parties during the year.

35. SUBSEQUENT EVENT

The Group had no significant event took place subsequent to the balance sheet date.

36. COMPARATIVE FIGURES

As further explained in Note 2 to the financial statements, due to the adoption of new IFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2007.

Statistics of Shareholdings

as at 15 June 2007

Issued and fully paid up capital	:	HK$19,128,791
Class of shares	:	Ordinary Share of HK$0.17 each
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	141	21.43	3,025	0.00
1,000 – 10,000	258	39.21	1,179,000	1.05
10,001 – 1,000,000	248	37.69	18,286,005	16.25
1,000,001 and above	11	1.67	93,054,270	82.70
Total	**658**	**100.00**	**112,522,300**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	China Network Group Limited	37,110,600	32.98
2	Merrill Lynch (Singapore) Pte Ltd	23,110,600	20.54
3	CIMB Bank Nominees (S) Sdn Bhd	14,000,000	12.44
4	CIMB-GK Securities Pte. Ltd.	5,549,000	4.93
5	Sin Seng Huat International Pte Ltd	4,012,000	3.57
6	Kim Eng Securities Pte. Ltd.	2,208,020	1.96
7	Lee Keng Weng Levin	1,870,000	1.66
8	Sim Chee Wan	1,669,000	1.48
9	Phillip Securities Pte Ltd	1,275,050	1.13
10	DBS Vickers Securities (S) Pte Ltd	1,150,000	1.02
11	Hong Leong Finance Nominees Pte Ltd	1,100,000	0.98
12	Husein @ Tjoa Sang Hi	850,000	0.76
13	City Impex Pte Ltd	700,000	0.62
14	OCBC Securities Private Ltd	700,000	0.62
15	Mayban Nominees (S) Pte Ltd	545,000	0.48
16	Peh Li Na	500,000	0.44
17	Yap Chee Wee (Ye ZhiWei)	500,000	0.44
18	BNP Paribas Nominees Singapore Pte Ltd	487,000	0.43
19	Heng Cheng Chee	400,000	0.36
20	Kwa Eng Eng	400,000	0.36
	Total	**98,136,270**	**87.20**

Statistics of Shareholdings

as at 15 June 2007

Substantial Shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 15 June 2007.

	No. of Ordinary shares of HK$0.17 each			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
China Network Group Limited	68,221,200	60.63	–	–
Lam Tak Shing	–	–	74,221,200	65.96
Tang Yuk Fung	–	–	68,221,200	60.63
Kwan Suk Yee	6,000,000	5.33	68,221,200	60.63

Notes:

1. Mr Lam Tak Shing and Mr Tang Yuk Fung are deemed to be interested in the shares held by China Network Group Limited as they own more than 20.0 % of the issued and paid-up share capital of China Network Group Limited each.

2. Ms Kwan Suk Yee is the wife of Mr Lam Tak Shing. Each of them is deemed to be interested in the shares held by each other.

As at 15 June 2007, approximately 34.04% of the shareholding in the Company was held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual.

Statistics of Warrantholdings

as at 15 June 2007

Distribution of Warrantholdings

Size of Holdings	No. of Warrant Holders	%	No. of Warrants	%
1 – 999	39	21.31	4,260	0.01
1,000 – 10,000	39	21.31	249,450	0.61
10,001 – 1,000,000	97	53.01	10,498,800	25.57
1,000,001 and above	8	4.37	30,299,870	73.81
Total	183	100.00	41,052,380	100.00

Twenty Largest Warrantholders

No.	Name	No. of Warrants	%
1	UOB Kay Hian Pte Ltd	10,940,000	26.65
2	Kim Eng Securities Pte. Ltd.	8,653,480	21.08
3	Kwan Suk Yee	2,408,790	5.87
4	Phillip Securities Pte Ltd	2,211,600	5.39
5	DBS Vickers Securities (S) Pte Ltd	1,849,000	4.50
6	OCBC Securities Private Ltd	1,847,000	4.50
7	Tan Kim Yeow	1,240,000	3.02
8	Goh Bee Yong	1,150,000	2.80
9	Toh Peng Hui	550,000	1.34
10	Martin Columba Gallagher	500,000	1.22
11	Chia Pin Yong Francis (Xie Bingrong Francis)	439,000	1.07
12	Ngin Teo Mee	426,000	1.04
13	Mahtani Bhagwandas	400,000	0.97
14	One Siew Chin Roger	373,000	0.91
15	Quek Nak Puang	360,000	0.88
16	Ng Seng Hong	348,000	0.85
17	Goh Hoon Pur	300,000	0.73
18	Ramalingam Kasi	300,000	0.73
19	Yeong Lai Meng	300,000	0.73
20	Teo Pang Suan Maggi	265,000	0.65
	Total	**34,860,870**	**84.93**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Superior Fastening Technology Limited (the "Company") will be held at 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624 on Friday, 27 July 2007 at 11.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the financial year ended 31 March 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Final Dividend of S$0.005 per ordinary share for the financial year ended 31 March 2007. **(Resolution 2)**

3 To re-elect the following Directors retiring pursuant to Bye-law 104 of the Bye-laws of the Company:

   Mr. Chan Kam Fuk **(Resolution 3)**
   Mr. Tan Chong Huat **(Resolution 4)**

   Mr. Chan Kam Fuk will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr. Tan Chong Huat will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of HK$712,500 for the financial year ended 31 March 2007. (2006: HK$663,912.33) **(Resolution 5)**

5. To approve the payment of Directors' fees of HK$808,500 for the financial year ending 31 March 2008, to be paid quarterly in arrears. **(Resolution 6)**

6. To re-appoint Messrs HLB Hodgson Impey Cheng as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to allot and issue shares up to fifty per cent. (50%) of issued capital

   "That, pursuant to Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), authority be and is hereby given to the Directors to:-

   (a) allot and issue shares in the Company; and

   (b) issue convertible securities and any shares in the Company pursuant to convertible securities

Notice of Annual General Meeting

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law or by the Company's Bye-laws to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased. For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

(iii) any subsequent consolidation or subdivision of shares." [See Explanatory Note (i)]

(Resolution 8)

9. Authority to grant options and issue shares under the Superior Employee Share Option Scheme

"That the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted under the Superior Employee Share Option Scheme (the "Scheme") provided always that the aggregate number of shares in respect of which such options may be granted and which may be issued pursuant to the Scheme and the Plan (as defined in Resolution 10 below) shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time." [See Explanatory Note (ii)] **(Resolution 9)**

10. Authority to grant share award under the Superior Fastening Technology Share Plan

"That the Directors be and are hereby authorised to grant awards in accordance with the provisions of the Superior Fastening Technology Share Plan (the "Plan") and to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Scheme (as defined in Resolution 9) and the Plan shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company from time to time." [See Explanatory Note (iii)] **(Resolution 10)**

Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 August 2007, for the purpose of determining members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 27 July 2007.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5.00 p.m. on 3 August 2007 by the Company's Share Registrar, Lim Associates (Pte) Ltd , 3 Church Street, #08-01 Samsung Hub, Singapore 049483 will be registered to determine members' entitlements to such dividend. Members whose securities account with the Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 3 August 2007 will be entitled to such proposed dividend.

The proposed final dividend, if approved at the Annual General Meeting, will be paid on 16 August 2007.

By Order of the Board

Tan Ping Ping / Ma Yiu Ho Peter
Company Secretary / Deputy Company Secretary

Singapore, 5 July 2007

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares and convertible securities (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution shall not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 8) of the Company at the time of passing of this resolution. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertibles securities to be issued shall not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 8) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or by the Company's Bye-laws to be held, whichever is the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(ii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

(iii) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares upon pursuant to the vesting of the awards in accordance with the Plan.

Notes:

1. If a member being a depositor whose name appears in the Depository Register (as defined in the Bye-laws of the Company) wishes to attend and vote at the Annual General Meeting, then he/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least 48 hours before the time of the Annual General Meeting.

2. If a depositor wishes to appoint a proxy / proxies, then the Proxy Form must be deposited at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least 48 hours before the time of the Annual General Meeting.

Corporate Information

Board of Directors

Lam Tak Shing	Chairman and Chief Executive Officer
Tang Yuk Fung	Executive Director
Kwan Suk Yee	Executive Director
Chan Kam Fuk	Independent Director
Tan Chong Huat	Independent Director
See Yen Tarn	Independent Director

Audit Committee

Tan Chong Huat Chairman
Chan Kam Fuk
See Yen Tarn

Nominating Committee

See Yen Tarn Chairman
Tan Chong Huat
Chan Kam Fuk

Remuneration Committee

Chan Kam Fuk Chairman
Tan Chong Huat
See Yen Tarn

Company Secretaries

Tan Ping Ping
Corporate Secretary
Ma Yiu Ho Peter
Deputy Corporate Secretary

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Business Office

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Siu Lek Yuen, Sha Tin
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Tel: +852 2896 5255
Fax: +852 2889 0280
E-mail: info@superiorfastening.com
Website: www.superiorfastening.com

Share Registrars

Reid Management Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Singapore Share Transfer Agent

Lim Associates (Pte) Ltd
3 Church Street
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Singapore 049483
Tel: +65 6536 5355
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Auditors

HLB Hodgson Impey Cheng
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11 Pedder Street, Central, Hong Kong
Tel: +852 2810 8333
Fax: +852 2810 1948

Audit Partner-In-Charge

Mr. Raymond Cheng
Date of Appointment: Financial Year 2006

Principal Bankers

Citibank N.A. Hong Kong
Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Hong

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Central, Hong Kong