ANNUAL REPORT 09

SUPERIOR FASTENING TECHNOLOGY LIMITED

SOLID AND STEADFAST

Mission

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.

Contents

Corporate Profile

Superior Fastening Technology Limited was founded in 1988 by Mr Lam Tak Shing and Mr Tang Yuk Fung. From its humble beginnings as a supplier of audio/video cassette fasteners, it has grown to become a leading one-stop shop for fastener solutions, taking care of the requirements of a global base of customers.

The Group's manufacturing bases in Huizhou and Shanghai house state-of-the-art equipment, with cold forming, precision tooling, electro-plating, heat treatment, testing and inspection capabilities. The Group has adopted Total Quality Management and is ISO9001:2000 certified. Both of the Group's facilities have attained the TS16949 certification, an accreditation accepted by the global automotive industry as a standard of quality.

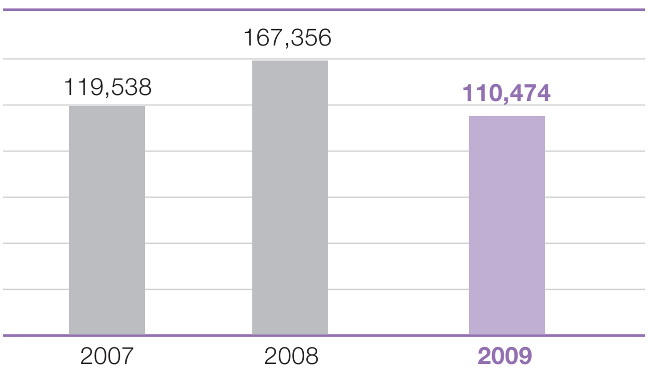
Today, Superior Fastening designs and manufactures high quality metallic fasteners catering to a wide range of industries, including IT, telecommunications, electronics and automotive. Superior Fastening currently has an annual production capability of more than six billion fasteners and over 5,000 tonnes of plating.

Superior Fastening serves world-renowned Fortune 500 companies across Asia, Europe, the Americas and the Middle East. The Group's corporate headquarters is in Hong Kong and it has a representative sales office in Singapore.

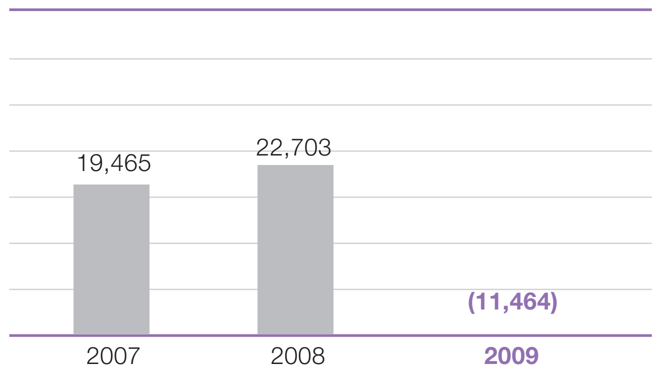
Superior Fastening was listed in 2003 and its shares are currently traded on the Catalist board. In line with its commitment to good corporate governance, the Group appointed KW Capital Pte Ltd as Continuing Sponsor in April 2008.

Financial Highlights

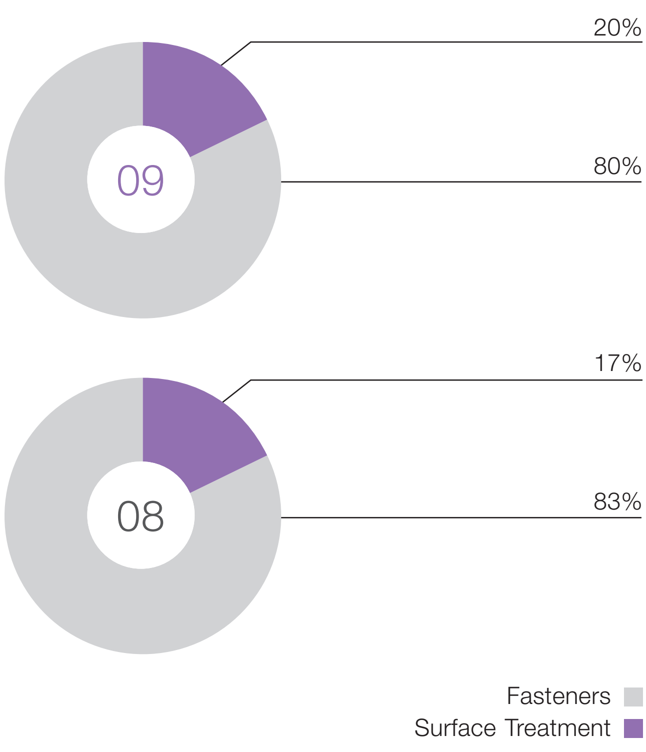
SALES REVENUE
(HK$'000)



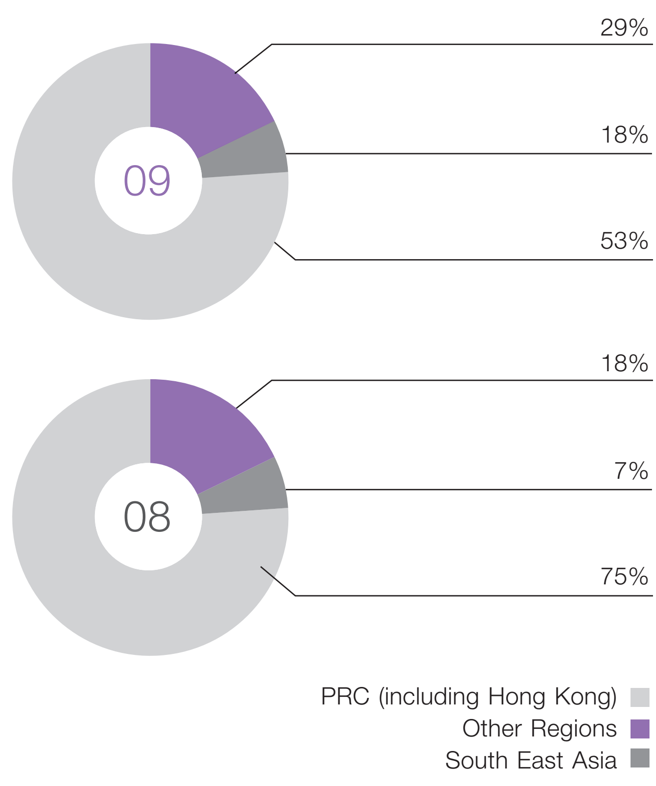
PROFIT/(LOSS) BEFORE TAX
(HK$'000)



TURNOVER BY BUSINESS SEGMENTS
(HK$'000)

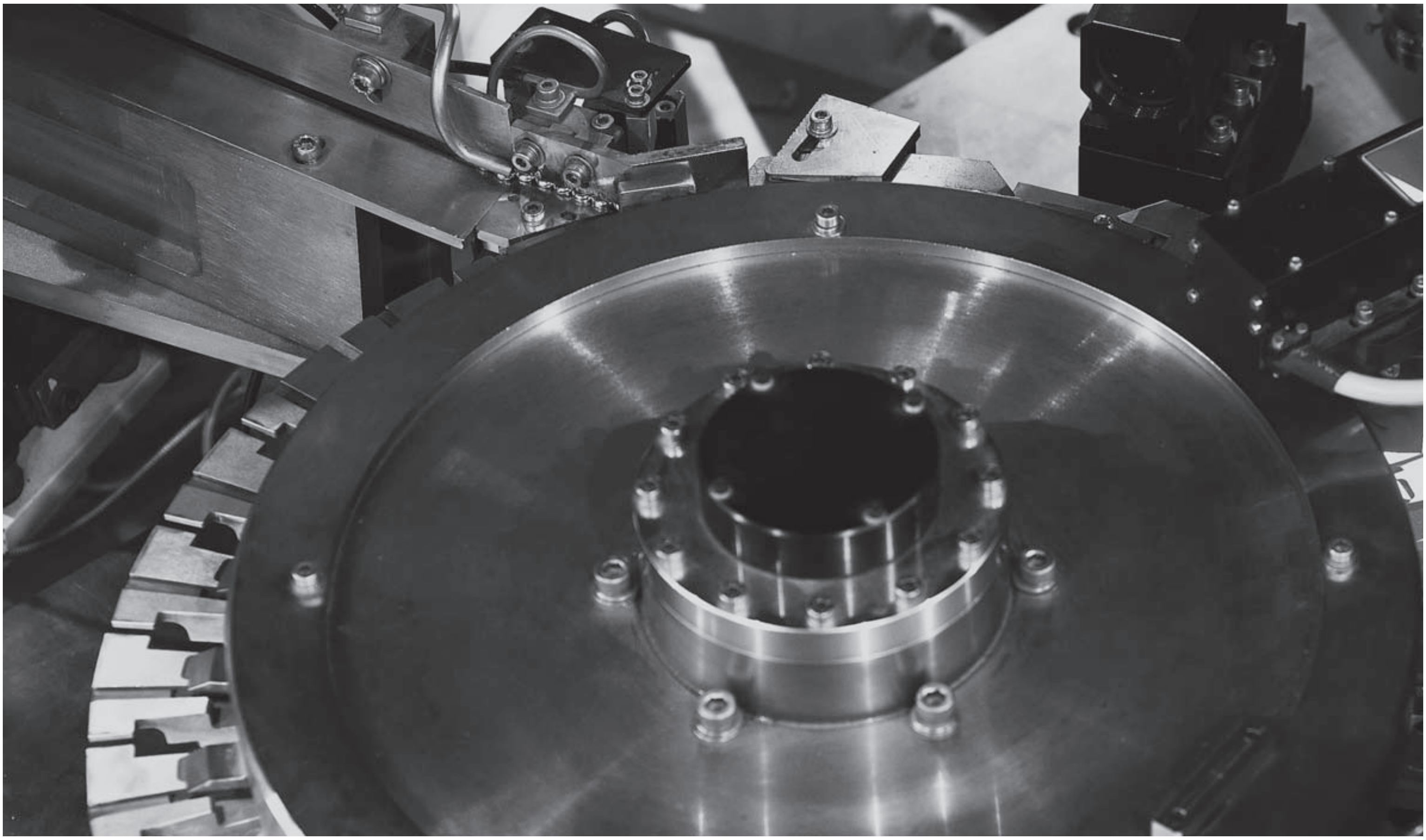


TURNOVER BY REGIONS
(HK$'000)



SOLID
FOUNDATION

Through the years, we have built a strong and stable foundation with strategically located assets and state-of-the-art equipment, that is held together by the knowledge and technical expertise of our people.

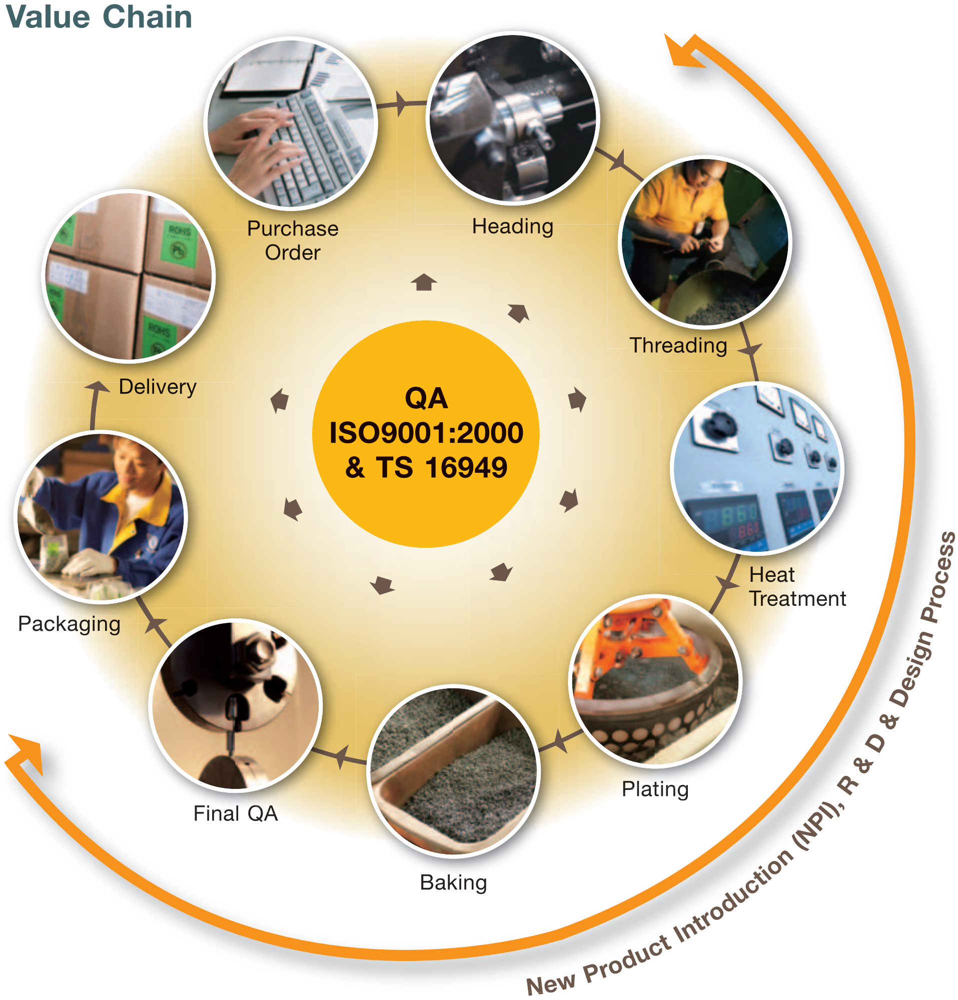


Business and Product Review

Our manufacturing facilities in Huizhou and Shanghai comply with international standards. Our Shanghai plant is TS16949-certified, while our Huizhou plant has attained the QC080000, ISO14001 and TS16949 certifications. Such accreditation means that our customers can be assured of the quality and reliability of our products. Our facilities house modern equipment that caters to all the critical aspects of the production process - from cold forming and precision tooling, to electro-plating, heat treatment, testing and inspection - allowing us to manufacture all types of fasteners, ranging from simple rivets to highly complex multi-stage fasteners.

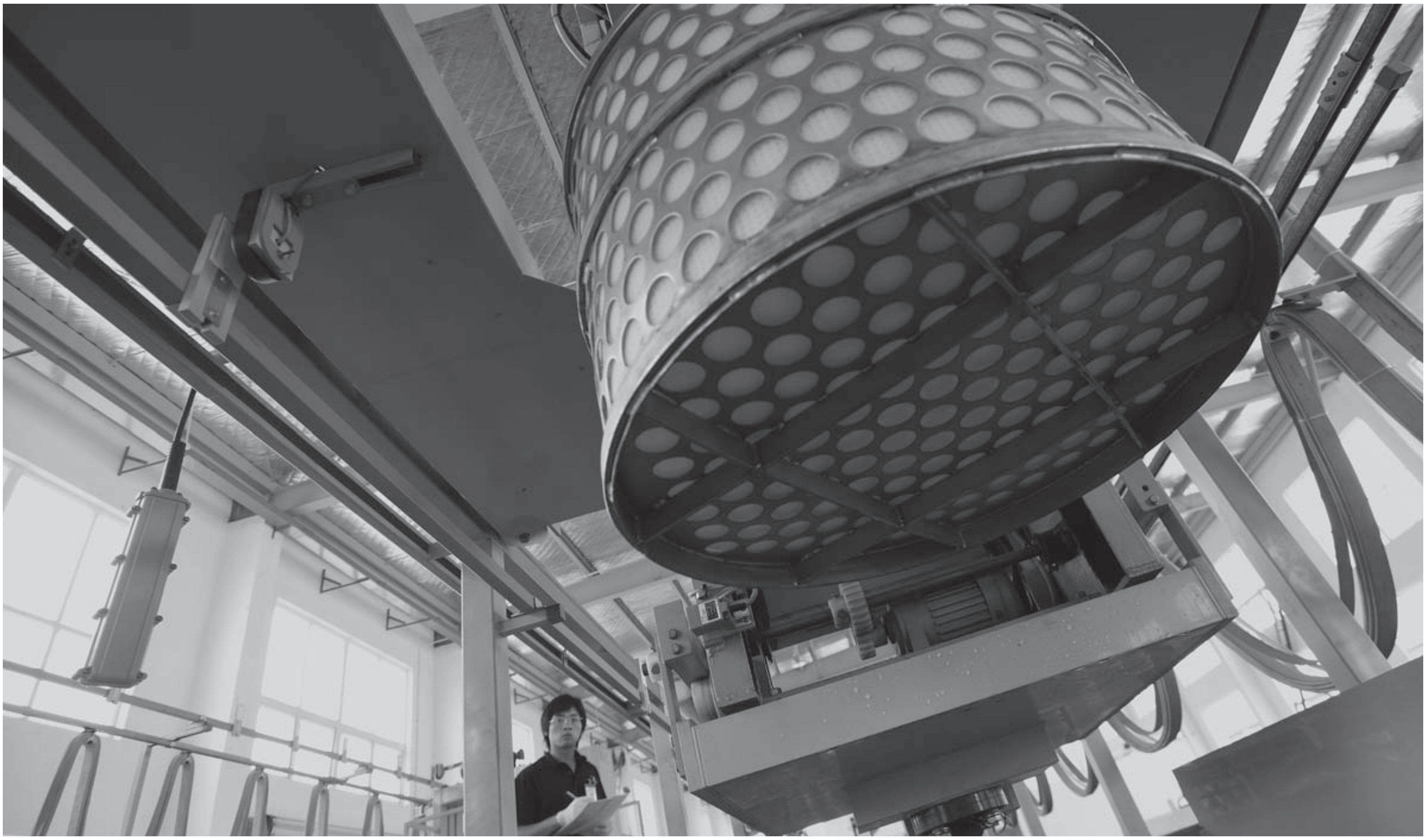
Physical assets alone however, do not make a successful business. Modern equipment and technology is only one of the twin pillars that provide support and stability to our establishment; the other is our people. We would not be where we are today if not for our committed managers, skilled engineers, researchers, and sales and administration staff. And because we know the importance of each and every role within the organization, we make every effort to upgrade our skills and knowledge, in keeping with the times. We invest in our people so that our people are empowered to invent.

Value Chain



STEADFAST COMMITMENT

As an integrated fastening solutions provider operating within a fast-paced and global marketplace, constant value creation is the heart of our business. As such, we are committed to delivering quality service and innovative solutions, through efficient processes, to our customers.



Our Presence

Our highly experienced team of engineers is dedicated to working closely with our customers and understanding their business needs, so as to provide value-added customized solutions. We maintain full control over the entire production value chain, which translates into greater cost efficiency and increased responsiveness to our customers. Various teams in the production chain support one another, resulting in a highly efficient workflow process and products of exceptional quality. Our recently obtained Geomet® license, which allows us to provide corrosion resistant surface treatment services for automotive fasteners, bears testimony to our commitment to constantly improve on the standard of our services.

Always staying at the forefront of innovation and creativity, we fix our eye on the finishing line, while taking purposeful steps to ensure that we keep improving our standards of professionalism, quality and processes.

Chairman's Message

Dear Shareholders,

As it is with many businesses around the world, the financial crisis brought about much adversity and challenge for Superior Fastening. We began the financial year ended 31 March 2009 (FY2009) on an upbeat note with healthy demand across the board for our fastening products and solutions. However, this quickly reversed to a marked slowdown in the second half of the year.

As our customers began to feel the impact of the crisis, we saw a significant increase in order deferrals and a drop in new orders. Although the Management took prompt action to control expenses, such as reducing staff cost, the cost of operations remained high in view of some fixed overhead costs that had already been incurred. Driven by falling prices, the second half of the year saw us making provisions amounting to HK$5.7 million for the impairment of inventory value, as well as a HK$1.7 million loss on disposing of a subsidiary in Wuxi.

This, together with lower revenue generated had the effect of wiping out all the profit achieved in the first half of the year, and resulting in the Group posting a net loss of HK$12.1 million on a 34% decrease in total revenue to HK$110.4 million for the financial year under review.

Gross profit margin slipped by four percentage points for the 12 months to 38%, driven by lower selling prices and overall capacity utilization. Net asset value also dipped to HK 91.25 cents per share in FY2009, from HK 97.17 cents per share in FY2008.

SEGMENTAL REVIEW

The Group's fasteners division saw a 13% decline in revenue from HK$150.3 million in FY2008 to HK$131.4 million in FY2009, due to the overall slowdown in market demand. Sales from the surface treatment division also fell from HK$31.7 million to HK$17.5 million. Overall, the fasteners division remained the Group's largest segment, contributing some 80% of the total revenue.

The domestic market in the PRC and Hong Kong remained the Group's largest contributor, accounting for 53% of total revenue in FY2009, despite having fallen some 53% to HK$58.7 million in the financial year under review.

South East Asia and Other regions continued to register growth, by about 69% to HK$19.6 million and 5% to HK$32.2 million respectively. Combined, these two geographical markets contributed the remaining 47% of Group revenue.

OPERATIONS REVIEW

In spite of the increasing competition and ever-changing marketplace that we are operating in today, we are thankful for our strong business relationships built over the years. Compared to the ebb and flow of the market, relationships are of a more lasting nature, and this is what we believe will take us through such trying times.

In FY2009, we reached another milestone with the completion of our new Shanghai facility, which has increased our production capacity. Though the completion of this facility did not take place during the best of times in the sense that it coincided with the contraction in customer orders, we believe that together with our Huizhou facility, these facilities are long-term strategic assets that will carry us forward into the next phase of growth when the market turns for the better.

During the year, we also took some prudent steps to improve on our cost structure. These included reducing wages and incentives throughout the organization, reducing prepayment and deposits to suppliers, as well as better managing payables by ordering only what was absolutely necessary. By keeping a tight rein on our cash flow and by constantly improving our operational process, we hope to achieve more with less, and to be able to ride through this economic storm.

OUTLOOK

As with every long distance race, there are obstacles at every turn. However, we are keeping our focus on the light at the end of the tunnel. By traveling light and by maintaining our business relationships, we know we will get there.

Post-stimulus China is also helping us to keep our chin up. China's domestic market has shown encouraging signs of a market pickup, and recently, the PRC State Council announced that it will raise the subsidy for a car-replacement programme to the tune of RMB5 billion, with another RMB2 billion earmarked for consumer home appliances. Such developments augur well for us.

APPRECIATION

I would like to pay tribute to our employees for their dedication and commitment to the Group. Their loyalty and determination to deliver the best even as we rise to new challenges are attributes that I am extremely proud of.

My thanks also go to my fellow Board members who have provided me with invaluable counsel and direction as we navigate through this storm. I treasure and appreciate the value they bring as advisors to the Group.

Mr Tang Yuk Fung, who has served on the Board of Superior Fastening since 2003 has tendered his resignation, and will cease to be an Executive Director of the Group with effect from 30 July 2009. On behalf of the Board, I would also like to thank Mr Tang for his years of contribution to the Group. We wish him all the best in his future endeavours.

Finally, I would like to express my sincere appreciation to all our customers, business partners and shareholders for their continued support of the Group. Your steadfast belief in us, particularly in times like these, is a tremendous source of encouragement, and will spur us on towards building the Group up to emerge stronger at the end of this difficult period.

Jacky Lam
Chairman & CEO

主席致詞

尊敬的股東，

正像世界各地許多企業所經歷的一樣，這次的金融危機對卓越科技帶來了不小的逆境和挑戰。截至2009年3月31日的2009財政年度開始得生氣勃勃，市場對於公司的螺絲產品需求旺盛。但是，這種景象很快地被下半年急轉直下的市場所取代。

當我們的客戶逐漸受到危機的影響，我們的新訂單開始減少，客戶推遲訂單的現象也有了大幅度的增加。雖然公司管理層及時採取控制成本的措施，例如削減員工工資等，但是因一些已發生的固定營運成本，總體的運作開支仍然很高。由於市場銷售價格不斷滑落，本年度下半年公司做出570萬港元的庫存減值準備，並且為無錫子公司的脫售做出170萬港元的損失準備。

以上因素，再加上收入額的減少，使公司上半年所得盈利完全被刪去，而因此2009財政年度全年報淨虧損1,210萬港元，總收入也下滑34%至1億1,040萬港元。

受市場價格調整和產能利用率不足所影響，在這12個月的毛利潤率下降4個百分點至38%。每股淨資產值則由去年同期的每股港元97.17分下跌至每股港元91.25分。

部門回顧

公司的螺絲生產業務，因受整個市場需求疲軟的影響，總收入相對於2008財年的1億5,030萬港元下跌13%到1億3,140萬港元。表面處理業務收入也由去年的3,170萬港元下跌至1,750萬港元。整體來看，螺絲生產業務仍然是公司的核心，佔總收入的80%。

中國內地和香港市場仍然是公司最大的市場，雖然銷售額比去年下跌53%至5,870萬港元，但仍佔銷售額的53%。

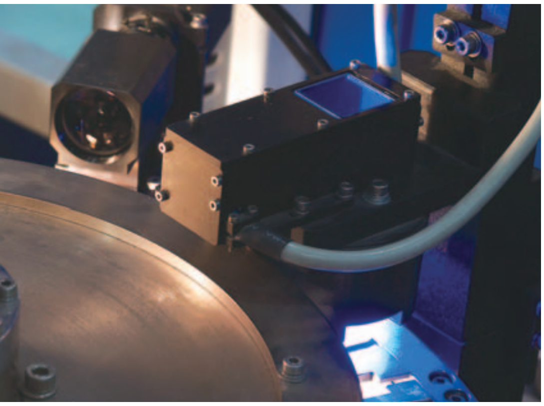
東南亞和其他區域繼續保持增長勢態，收入分別增加69%和5%，達1,960萬港元和 3,220萬港元。這兩個地區總共佔公司總銷售額的47%。

運營回顧

雖然身處這個多變且競爭日益劇烈的經濟環境，我們對於多年來建立的深厚商業合作關係深感欣慰。比起市場經濟的盛衰，與商業夥伴的合作關係是比較長久不變的，這也是我們堅信會渡過眼前難關的強大動力。

在2009財年，公司成功地在我們的發展之路上樹立了另一座里程碑，那就是開設新的上海工廠，它使公司每天的螺絲產能增加。雖然因為市場需求突然萎縮使這次新的擴張看來不合時機，但我們相信上海與惠州工廠會帶給我們長期的收益，並幫助公司在市場條件好轉時再創高峰。

在這個財政年度，我們也審慎的採取了一些措施來改進公司的成本結構。其中包括全公司範圍的減薪和減少福利，減少對供應商支付的定金，在必要時才訂貨以便更好的管理支出。通過牢牢控制現金流和不斷改進運營流程，我們希望能夠事半功倍，度過這次經濟危機。



展望未來

每一次長距離的競賽都伴隨著不斷的挑戰。但是，我們將毫不懼怕，著眼於未來的成功。通過維持和商業夥伴的良好關係和精簡架構，我們相信我們能夠成功地抵達終點。

中國政府宣佈的經濟刺激方案也使我們保持樂觀。目前，中國市場已經看到了一些經濟復蘇的景象。近日，中國國家政策委員會也宣佈提高汽車更換計劃的津貼至50億元人民幣，並追加20億元人民幣專用於家用電器。這樣的政策對公司發展是好兆頭。

衷心感謝

我要向公司全體員工表示敬意，感謝他們對公司的全心付出。當我們面對新的挑戰時，我很驕傲得看到自己的員工充滿真誠，還是要做到最好的毅力和決心。

我同時也要感謝公司董事會的各位同仁對公司在危機中提供的寶貴意見和方向。我很珍惜他們作著可以信任的顧問所帶給我們的價值。

自2003年開始便擔任卓越科技董事的鄧玉豐先生已經提交辭呈，從2009年7月30日起，他將停止公司執行董事的職務。在這裏我代表董事會向鄧先生多年來的幫助表示感謝，也祝福他未來的發展一帆風順。

最後，我還要感謝全體客戶，商業夥伴和股東不離不棄的支持。你們對公司的信任是我們繼續努力的精神鼓勵，也將會繼續鞭策我們戰勝困難。

林德誠
主席兼總裁

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

TS16949 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

2008

TS16949 ACCREDITATION

To support the growth of the Group’s automotive business, our Huizhou plant obtained TS16949 accreditation in Feb 2008

GEOMET® LICENSE

Obtained Geomet® license for surface treatment of automotive and other electronics components and set up a Geomet® coating line at the Group's Shanghai plant

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 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

Mr Tan Chong Huat is our Independent Director and was appointed on 28 October 2003.

Currently, Mr Tan is the Managing Partner of KhattarWong, a firm of advocates and solicitors. He also heads its Corporate and Securities department.

Mr Tan graduated with a degree and master degree in law respectively from National University of Singapore and University of London. He is an advocate and solicitor of the Supreme Court of Singapore, a solicitor in England and Wales, a solicitor in Supreme Court of New South Wales, Australia, a Notary Public and a Commissioner for Oaths. He is also a member of the Singapore Institute of Arbitration, the Chartered Institute of Arbitrators, and an accredited arbitrator with China International Economic and Trade Arbitration Commission and a full member of Singapore Institute of Directors. He has extensive experience 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 adjunct associate professor of the Law Faculty and the Business School National University of Singapore, and the Nanyang Business School, Nanyang Technological University. He was conferred a Visiting Professorship by the Beijing Normal University. Besides authoring two leading literature on PRC investment laws, he has co-authored a title on "Corporate governance of listed companies in Singapore" and is a co-editor for a new title on "Corporate Governance: The Good, Bad and Ugly".

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

See Yen Tarn

Independent Director

Mr See Yen Tarn was appointed Independent Director on 2 December 2005. Mr See holds a Bachelor of Accountancy degree from the National University of Singapore. He is also a Chartered Accountant from England and Wales. Mr. See has more than 20 years of working experience at senior management level in various industries and has held such position as Chief Financial Officer, Executive Director and Deputy Group Managing Director for both listed and non-listed entities in Singapore, Indonesia, Hong Kong, People's Republic of China and Australia. Mr See is presently the Group Chief Executive Officer of CSC Holdings Limited.

Tan Sin Huat, Dennis

Alternate Director to Tan Chong Huat

Mr Tan Sin Huat, Dennis was appointed as an Alternate Director to Mr Tan Chong Huat on 1 August 2007. He is Founder & Managing Director of Innospaces Consulting Pte Ltd, a business consultancy firm that helps organizations in the areas of strategic management, organizational development, leadership development and change management for public and private sectors.

Mr Tan is an Adjunct Professor with the Nanyang Technological University, Singapore. He teaches Strategic Management and Innovation for the final year Undergrads and Leadership in Organization for the MBA students.

He holds an MBA degree from the Nanyang Technological University, Singapore; a Bachelor of Arts degree from the National University of Singapore; and also holds a post-graduate certificate in Executive Coaching from Lancaster University Management School, UK.

Mr Tan is also sitting on the Boards of Chasen Holdings Ltd as an Independent Director and SG Tech Holdings Ltd as a Director.

Senior Management & Key Executives

Alfred Wong

Chief Financial Officer

Mr Wong was appointed as Chief Financial Officer for the Group on 4 March 2008. He is responsible for the overall organization and management of the Group's financial system and is in charge of reviewing all the financial data and reports of the companies within the Superior Fastening Technology Group.

Mr Wong started his career as an audit assistant in 1978 with Price Waterhouse (CPA). In 1980 he joined Novel Enterprise Limited as an accountant. From 1983 to 2006 he was the Financial Controller of Fabricators International Limited. He was the director of Fabricators International Limited and International Components Corporation Limited between 1995 and 2006. Mr Wong has been the Chief Financial Officer of Metro Capital Property Investment Fund, L.P. since 2007. He is also the independent director of Sky One Holdings Limited starting from 2007.

Mr Wong is a member of the Chartered Institute of Management Accountants (UK) and the Hong Kong Institute of Certified Public Accountants.

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 Shanghai, 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.

Report on 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 interests 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 Council on Corporate Disclosure and Governance 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 (Alternate: Mr. Dennis Tan Sin 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 ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC").

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.

During the financial year, the Board held 3 meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:-

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name	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	3	3	-	-	-	-	-	-
Tang Yuk Fung	3	1	-	-		-	-	-
Kwan Suk Yee	3	2	-	-	-	-	-	-
Chan Kam Fuk	3	3	3	3	2	2	2	2
Tan Chong Huat (Alternate: Dennis Tan Sin Huat)	3	3	3	3	2	2	2	2
See Yen Tarn	3	3	3	3	2	2	2	2

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 receive 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 GUIDANCE

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 NC. The NC adopts the Code's 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 NC 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 NC, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position.

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 as set out in the financial statements. The Board is of the view that its current size is adequate for effective decision making. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 16 to 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 the 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

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 submit themselves for re-nomination and re-election at regular intervals.

The NC 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-law 104 of the Company's Bye-laws at the forthcoming AGM are Ms. Kwan Suk Yee and Mr. See Yen Tarn.

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.

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. In assessing, the Directors' input are collated and reviewed by the NC. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

The Board and the NC 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 include 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 Rules of Catalist of the 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.

(B) REMUNERATION MATTERS

REMUNERATION COMMITTEE

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 RC 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 will be 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 RC to ensure that the respective remuneration commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

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 2009 are as follows:-

Remuneration Bands	Salary	Performance Bonus	Directors' Fees	Others	Total
	%	%	%	%	%
Directors					
Below S$250,000 (equivalent to approximately HK$1,338,750)					
Lam Tak Shing	91	-	9	-	100
Tang Yuk Fung	89	-	11	-	100
Kwan Suk Yee	90	-	10	-	100
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$1,338,750)					
Wong Shun Cheong	100	-	-	-	100
Chua Wah Moi	100	-	-	-	100
Lam Tse Shing	100	-	-	-	100

The remuneration of the non-executive and independent Directors is in the form of a fixed fee.

All Executive Directors have service agreements with the Company. Their compensation packages consist of salary, bonus, fixed fee 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$803,250) during the year who are immediate family members of any Director or the CEO.

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 Rules of Catalist. 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.

(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

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

The AC 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 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.

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.

During the financial year, the external auditors did not render any non-audit services to the Group. The AC is pleased to recommend the re-appointment of the external auditors.

The Group has appointed different auditors for its overseas subsidiaries and significant associated companies. The Board and the AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group.

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 recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than to 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 recommendation improvements are reported to the AC. The AC 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 internal auditors report directly to the AC on audit matters and the CEO on administrative matters.

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.

The AC is satisfied that the internal audit is adequate to meet the needs of the Group in its current business environment.

(D) COMMUNICATION WITH SHAREHOLDERS

COMMUNICATION WITH SHAREHOLDERS

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

GREATER SHAREHOLDER PARTICIPATION

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 Rules of Catalist 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 will 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.

MATERIAL CONTRACTS

(Rule 1204(8) of the Rules of Catalist)

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 CEO or any Directors or controlling shareholders subsisting as at and during the year ended 31 March 2009.

RISK MANAGEMENT

(Rule 1204(4)(b)(iv) of the Rules of Catalist))

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.

DEALINGS IN SECURITIES

(Rule 1204(18) of the Rules of Catalist))

In line with Rule 1204(18) of the Rules of Catalist, 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.

INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Rules of Catalist))

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.

NON-SPONSOR FEES

(Rule of 1204(20) of the Rules of Catalist)

In compliance with Rule 1204(20) of the Catalist Rules, there was no non-sponsor fee paid to the sponsor by the Company for the year ended 31 March 2009. However, the total amount of fees paid to the affiliate of KW Capital Pte Ltd., KhattarWong for legal work done for the year ended 31 March 2009 was approximately S$21,773.91.

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)
Dennis Tan Sin Huat
(Alternate Director to Mr Tan Chong Huat)

AUDIT COMMITTEE

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

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 SECRETARY

Tan Ping Ping, ACIS

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

BUSINESS OFFICE

Unit 2712-2716
27/F Metropole Square
2 On Yiu Street
Siu Lek Yuen, Shatin
Hong Kong
Tel: +852 2896 5255
Fax: +852 2889 0280
Email: info@superiorfastening.com
Website: www.superiorfastening.com

SHARE REGISTRAR

Appleby Management (Bermuda) Ltd.
Argyle House
41a Cedar Avenue
PO Box HM 1179 Hamilton HM11
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483
Tel: +65 6536 5355
Fax: +65 6536 1360

AUDITORS

LTC LLP
Certified Public Accountants
1 Raffles Place
#20-02 OUB Centre
Singapore 048616

AUDIT PARTNER-IN-CHARGE

Tsang Siu For Thomas
Date of Appointment: Financial Year 2009

Financial Statements

Report of the Directors

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2009 and the balance sheet of the Company as at 31 March 2009.

1. 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
Dennis Tan Sin Huat – Alternate director to Mr Tan Chong Huat

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.

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:–

	Direct Ordinary shares		**Indirect Ordinary shares**	
	At beginning of year or date of appointment, if later	**At end of year**	**At beginning of year or date of appointment, if later**	**At end of year**
Mr Lam Tak Shing	160,000	160,000	74,221,200	74,221,200
Mr Tang Yuk Fung	–	–	68,221,200	68,221,200
Ms Kwan Suk Yee	6,000,000	6,000,000	68,381,200	68,381,200

Ms Kwan Suk Yee 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 capital of China Network Group Limited each. As Mr Lam Tak Shing is the husband of Ms Kwan Suk Yee, each of them is deemed to be interested in the shares held by each others.

The Directors' interest in the shares of the Company at 21 April 2009 were the same at 31 March 2009.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation 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, except as disclosed in the financial statements.

5. OPTIONS GRANTED

During the financial year, there were no options granted to any person to take up unissued shares in the Company.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of any exercise of option to take up unissued shares.

7. OPTIONS OUTSTANDING

At the end of the financial year, there were no unissued shares of the Company under option.

8. INDEPENDENT AUDITORS

The independent auditors, LTC LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

Lam Tak Shing
Chief Executive Officer

Singapore, 8 July 2009

Statement by the Directors

In the opinion of the directors:–

(i) The balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 39 to 93 are drawn up 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 2009 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

On behalf of the directors

Lam Tak Shing
Director

Kwan Suk Yee
Director

Singapore, 8 July 2009

Independent Auditors' Report

TO THE MEMBERS OF SUPERIOR FASTENING TECHNOLOGY LIMITED
for the year ended 31 March 2009

We have audited the consolidated financial statements of Superior Fastening Technology Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 March 2009 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other related notes. The financial statements for the financial year ended 31 March 2008 were audited by another auditor whose report dated 19 July 2008 expressed an unqualified opinion with an emphasis of matter on those statements as disclosed in note 37 to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 March 2009, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements as follows:

1. On 19 February 2009, a Writ of Summons (the "Writ") was issued in the High Court of the Hong Kong Special Administrative Region by a bank against (i) a subsidiary of the Company with respect to defaulted outstanding bills payables and bank loans and (ii) the Company which had provided guarantees for the subsidiary's banking facilities with the bank. On 5 March 2009, the subsidiary acknowledged being served the Writ. As at 31 March 2009, the carrying amounts of outstanding bills payables and bank loans in aggregate was HK$11,044,000.

Subsequent to the balance sheet date, on 3 July 2009, the Company and the subsidiary entered into a settlement agreement with the bank to repay the outstanding principal sum plus interest thereon over 36 equal monthly instalments commencing 30 June 2009. Pursuant to the settlement agreement, the parties agreed that the legal proceeding shall be withdrawn and discontinued by the bank on receipt of the first instalment. The bank has received the payment from the subsidiary on account of the first instalment.

2. As at 31 March 2009, the Group bills payables, bank loans and overdrafts and convertible notes with carrying amounts of HK$5,088,000, HK$49,096,000 and HK$25,188,000 respectively of the Company and/or its subsidiaries were in default on account of outstanding and overdue payments and/or companies in the Group have breached certain financial covenants with banks and/or companies in the Group have breached certain cross default clauses.

   Subsequent to the balance sheet date, the directors of the Company announced that the Company has entered into negotiations with certain banks in relation to restructuring of the debts with these banks. Subject to the restructuring negotiations, two of the affected major banks of the Group and the Company have consented to standstill on their course of action between them. The consent to standstill did not indicate an expiry date.

3. For the financial year ended 31 March 2009, the Group has incurred a net loss of HK$12,088,000 and its current liabilities exceeded its current assets by HK$78,217,000 as at that date.

   The consolidated financial statements of the Group are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business as the directors of the Company have a reasonable expectation that the Group will remain operational and able to generate cash flows to meet the Group and the Company's indebtedness.

The validity of the going concern assumption on which the consolidated financial statements are prepared depends on the Group avoiding legal action on account of the Writ been served, the Group obtaining a favourable outcome on the negotiations in relation to restructuring of the debts with the banks of the Group and the Company, and the ability of the Group to remain operational and to generate cash flows to meet the Group and the Company's indebtedness. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern.

LTC LLP
Public Accountants and
Certified Public Accountants

Singapore, 8 July 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	**110,474**	167,356
Cost of goods sold		**(68,194)**	(96,660)
Gross profit		**42,280**	70,696
Other revenue	7	**1,076**	1,523
Change in fair value of derivative liability	26	**993**	763
Allowance for impairment loss on inventories		**(5,690)**	(4)
Selling and distribution expenses		**(8,469)**	(9,643)
General and administrative expenses		**(35,487)**	(34,229)
Finance costs, net	8	**(6,167)**	(6,403)
(Loss)/profit before income tax	9	**(11,464)**	22,703
Income tax expense	11	**(624)**	(2,620)
Net (loss)/profit for the year		**(12,088)**	20,083
Attributable to equity holders of the Company		**(12,088)**	20,083
(Loss)/earnings per share (in HK$):			
– Basic	12	**(10.07) cents**	17.07 cents
– Diluted	12	**(10.07) cents**	14.21 cents

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

as at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**197,557**	105,330
Construction in progress	14	**–**	48,669
Deposits paid for acquiring a lease		**–**	7,939
		197,557	161,938
Current assets			
Inventories	16	**34,953**	34,546
Trade receivables	17	**26,491**	68,477
Prepayments, deposits and other receivables	18	**3,806**	13,492
Cash and cash equivalents	19	**3,382**	29,434
		68,632	145,949
Current liabilities			
Bank overdrafts	19,22	**171**	6,461
Trade and bills payables	20	**35,699**	64,160
Other payables and accruals	21	**19,892**	15,879
Current portion of bank loans	22	**53,662**	28,340
Obligations under finance leases – due within one year	23	**8,061**	4,205
Amount due to a related party	25	**950**	635
Convertible notes	26	**25,188**	–
Taxation payable		**3,226**	2,911
		146,849	122,591
Net current (liabilities)/assets		**(78,217)**	23,358
Total assets less current liabilities		**119,340**	185,296
Non-current liabilities			
Non-current portion of bank loans	22	**–**	36,598
Obligations under finance leases– due after one year	23	**5,707**	894
Convertible notes	26	**–**	27,769
Deferred tax liabilities	27	**4,033**	3,412
		9,740	68,673
Net assets		**109,600**	116,623
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**20,420**	20,402
Reserves	29	**89,180**	96,221
		109,600	116,623
Total equity		**109,600**	116,623

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

Balance Sheet

as at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	15	**13,488**	13,488
Current assets			
Prepayments, deposits and other receivables	18	**867**	1,692
Amounts due from subsidiaries	15	**75,668**	61,823
Cash and cash equivalents		**77**	15,790
		76,612	79,305
Current liabilities			
Other payables and accruals	21	**5,790**	3,080
Taxation payable		**58**	58
Amounts due to subsidiaries	15	**1,478**	1,440
Current portion of a bank loan	22	**12,753**	5,733
Convertible notes	26	**25,188**	–
Financial guarantee liabilities	24	**429**	8
		45,696	10,319
Net current assets		**30,916**	68,986
Total assets less current liabilities		**44,404**	82,474
Non-current liabilities			
Non-current portion of a bank loan	22	**–**	11,934
Convertible notes	26	**–**	27,769
		–	39,703
Net assets		**44,404**	42,771
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**20,420**	20,402
Reserves	29	**23,984**	22,369
		44,404	42,771
Total equity		**44,404**	42,771

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital HK$'000	Share premium HK$'000	Statutory fund reserves HK$'000	Exchange reserves HK$'000	Warrant reserves HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance as at 1 April 2007	19,043	16,855	153	1,619	4,775	41,953	2,744	87,142
Exchange translation	–	–	–	7,614	–	–	–	7,614
Income and expense recognised directly in equity	–	–	–	7,614	–	–	–	7,614
Net profit for the year	–	–	–	–	–	20,083	–	20,083
Total income and expense recognised for the year	–	–	–	7,614	–	20,083	–	27,697
Conversion of warrants into shares	1,359	4,062	–	–	(893)	–	–	4,528
Transfer to statutory fund reserves	–	–	1,477	–	–	(1,477)	–	–
Dividend paid	–	–	–	–	–	–	(2,744)	(2,744)
Balance as at 31 March 2008	20,402	20,917	1,630	9,233	3,882	60,559	–	116,623
Exchange translation	–	–	–	5,007	–	–	–	5,007
Income and expense recognised directly in equity	–	–	–	5,007	–	–	–	5,007
Net loss for the year	–	–	–	–	–	(12,088)	–	(12,088)
Total income and expense recognised for the year	–	–	–	5,007	–	(12,088)	–	(7,081)
Conversion of warrants into shares	18	52	–	–	(12)	–	–	58
Balance as at 31 March 2009	**20,420**	**20,969**	**1,630**	**14,240**	**3,870**	**48,471**	**–**	**109,600**

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(11,464)**	22,703
Adjustments for:			
Interest income	7	**(5)**	(1,033)
Finance costs	8	**7,971**	6,781
Loss on disposal of property, plant and equipment	9	**392**	120
Depreciation	9	**17,319**	13,649
Change in fair value of derivative liabilities		**(993)**	(763)
Impairment on property, plant and equipment		**570**	–
Allowance for impairment loss on other receivables		**1,065**	–
Written off of other payables		**(272)**	–
Allowance for doubtful trade debts		**361**	–
Allowance for impairment loss on inventories		**5,690**	4
Operating profit before changes in working capital		**20,634**	41,461
Increase in inventories		**(5,797)**	(13,324)
Decrease/(increase) in trade receivables		**41,931**	(36,723)
Decrease/(increase) in prepayments, deposits and other receivables		**8,658**	(1,254)
(Decrease)/increase in trade and bills payables		**(28,613)**	32,345
Increase in amount due to a related party		**315**	635
Increase in other payables and accruals		**5,305**	6,644
Cash generated from operations		**42,433**	29,784
Interest paid		**(8,035)**	(5,652)
Income tax paid		**(1,431)**	(1,742)
Net cash generated from operating activities		**32,967**	22,390
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14,417)**	(29,237)
Additions to construction in progress		**(25,862)**	(28,124)
Proceeds from disposal of property, plant and equipment		**369**	10
Decrease in bank deposit maturing beyond one year		**–**	2,162
Interest received		**5**	1,033
Net cash used in investing activities		**(39,905)**	(54,156)

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Drawdown from bank loans		**26,026**	28,204
Repayment of interest on convertible notes		**(522)**	(360)
Repayment of bank loans		**(37,378)**	(16,348)
Finance lease principal payments		**(2,620)**	(4,321)
Proceeds from convertible notes		**–**	28,192
Dividend paid		**–**	(2,744)
Proceeds from shares issued under warrants		**58**	4,527
Net cash (used in)/generated from financing activities		**(14,436)**	37,150
Net (decrease)/increase in cash and cash equivalents		**(21,374)**	5,384
Cash and cash equivalents at beginning of year		**22,973**	18,319
Effect of change in foreign exchange rates		**1,612**	(730)
Cash and cash equivalents at end of year	19	**3,211**	22,973

Non-cash transactions:

During the year ended 31 March 2009, the Group entered into finance lease arrangements in respect of property, plant and equipment of approximately HK$11,054,000 (2008: HK$22,900,000)

The accounting policies and explanatory notes form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION

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 has 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. GOING CONCERN ASSUMPTION

i. On 19 February 2009, a Writ of Summons (the "Writ") was issued in the High Court of the Hong Kong Special Administrative Region by a bank against (i) a subsidiary of the Company with respect to defaulted outstanding bills payables and bank loans and (ii) the Company which had provided guarantees for the subsidiary's banking facilities with the bank. On 5 March 2009, the subsidiary acknowledged being served the Writ. As at 31 March 2009, the carrying amounts of outstanding bills payables and bank loans in aggregate was HK$11,044,000. (See notes 20 and 22 to the consolidated financial statements)

   Subsequent to the balance sheet date, on 3 July 2009, the Company and the subsidiary entered into a settlement agreement with the bank to repay the outstanding principal sum plus interest thereon over 36 equal monthly instalments commencing 30 June 2009. Pursuant to the settlement agreement, the parties agreed that the legal proceeding shall be withdrawn and discontinued by the bank on receipt of the first instalment. The bank has received the payment from the subsidiary on account of the first instalment.

ii. As at 31 March 2009, the Group bills payables, bank loans and overdrafts and convertible notes with carrying amounts of HK$5,088,000, HK$49,096,000 and HK$25,188,000 respectively of the Company and/or its subsidiaries were in default on account of outstanding and overdue payments and/or companies in the Group have breached certain financial covenants with banks and/or companies in the Group have breached certain cross default clauses. (See notes 20, 22 and 26 to the consolidated financial statements)

   Subsequent to the balance sheet date, the directors of the Company announced that the Company has entered into negotiations with certain banks in relation to restructuring of the debts with these banks. Subject to the restructuring negotiations, two of the affected major banks of the Group and the Company have consented to standstill on their course of action between them. The consent to standstill did not indicate an expiry date.

iii. For the financial year ended 31 March 2009, the Group has incurred a net loss of HK$12,088,000 and its current liabilities exceeded its current assets by HK$78,217,000 as at that date.

   The consolidated financial statements of the Group are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business as the directors of the Company have a reasonable expectation that the Group will remain operational and able to generate cash flows to meet the Group and the Company's indebtedness.

The directors are of the opinion that the going concern assumption in the preparation of the financial statements of the Group is appropriate.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted 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.

(I) Basis of preparation

The consolidated financial statements of Superior Fastening Technology Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), The consolidated financial statements have been prepared under the historical cost convention as modified for certain financial assets and liabilities (including derivative instruments) are measured at fair value through profit and loss.

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.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(II) Summary of significant accounting policies

(a) Adoption of new and revised International Financial Reporting Standards

In the current year, the Group adopted the new and revised International Reporting Standards ("IFRSs") which includes all applicable International Reporting Standard, International Accounting Standards and Interpretation issued by the International Accounting Standards Board that are relevant to it operation an defective for accounting periods beginning on or after 1 January 2008.

The adoption of the new and revised IFRSs are not relevant to the Group and did not result in any substantial changes to the Group's accounting policies.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous period presented in these financial statements.

The Group has not applied the following new IFRSs that have been issued and effective from accounting periods beginning on or after 1 January 2009:

IAS 1	(Revised)	Presentation of Financial Statements
IAS 23	(Revised)	Borrowing costs
IAS 27	(Revised)	Consolidated and Separate Financial Statements
IAS 36	(Amendment)	Impairment of Assets
IAS 39	(Amendment)	Financial Instruments: Recognition and Measurement
IFRS 2		Share-based Payment – Vesting conditions and cancellations
IFRS 8		Operating Segments

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(a) Adoption of new and revised International Financial Reporting Standards (Cont'd)

The Group's assessment of the impact of adopting those standards, revised or amendments that are relevant to the Group is set out below:

(i) IAS 1 (Revised) Presentation of Financial Statements

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;

- Components of comprehensive income not to be included in statement of changes in equity;

- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);

- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 April 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

(ii) IFRS 8 Operating Segments

IFRS 8 supersedes IAS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply IFRS 8 from 1 April 2009 and provide comparative information that conforms to the requirements of IFRS 8. The Group expects the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under IFRS 8.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(a) Adoption of new and revised International Financial Reporting Standards (Cont'd)

(iii) Revised IFRS 23 Borrowing Costs

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised IFRS 23 from 1 April 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

(b) Group accounting

Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Investment in subsidiaries companies

Investment in subsidiaries companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investment in subsidiaries companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(d) Property, plant and equipment

(i) Measurement

1) Land and buildings

Land and buildings are initially recognised at cost less accumulated depreciation and accumulated impairment losses.

2) Properties under development

Properties under development are properties being constructed or developed for production or administrative purpose are carried at cost less any impairment loss.

3) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

4) Components of cost

The cost of an item of property, plant and equipment and properties being constructed or developed for production or administrative proposes are initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs capitalised in accordance with the Group's accounting policy.

(ii) Depreciation

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts 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
Land and building	2% straight-line method

Properties under development are not depreciated until they are completed and in operational and transferred to property, plant and equipment for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(d) Property, plant and equipment (Cont'd

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

(e) Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

(f) Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as noncurrent assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised and derecognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(iv) Subsequent measurement

Loans and receivable are subsequently carried at amortised cost using the effective interest method.

(g) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that those financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(h) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified accordingly to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are classified into (i) financial liabilities held for trading and (ii) those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

Financial liabilities at fair value through profit or loss

– Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– The financial liability forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– It forms part of a contract containing one or more embedded derivatives, and *IAS 39* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and interest-bearings loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(h) Financial liabilities and equity (Cont'd)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(i) Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

Convertible notes that contain an equity component

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity.

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the income statement in the period in which they arise.

(j) 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.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(k) 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.

(l) 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.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic will flow to the entity and when specific criteria have been made met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Revenue from sale of goods are recognised when a Group entity has delivered products to locations specified by its customer, the customer accepted the products and collectability of the related receivables is reasonable assured.

(ii) Sales of services

Sales of service 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 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.

(p) 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.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(p) Income taxes (Cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences:

– where the deferred tax liability 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 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.

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 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.

(q) 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 settle the obligations.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(r) 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.

(s) Finance expense

Finance expense comprises interest expense on borrowings which is recognized in the income statement. All borrowing costs are recognized in the income statement using the effective interest method, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(t) 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.

(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.

(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.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(u) Foreign currency translation (Cont'd)

(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 average 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 jointly-controlled entity;

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

(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 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.

3. BASIC OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies (Cont'd)

(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.

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.

(x) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

4. 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 carrying value of the assets is reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with the accounting policies disclosed in note 3(e). The recoverable amount of an asset or a cash generating unit is the greater of fair value less costs to sell and value-in-use, the calculations of which require the use of assumptions and estimates.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

Critical accounting estimates and judgments (Cont'd)

(a) Impairment of property, plant and equipment (Cont'd)

An impairment loss amounted to approximately HK$570,000 (2008: nil) was made during the financial year.

The carrying amount of property, plant and equipment as at 31 March 2009 was approximate HK$197,557,000 (2008: HK$105,330,000).

(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 and other receivables

The aged debt profile of trade and other receivables is reviewed on a regular basis to ensure that the trade and other receivables 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 and other receivables balances are called into doubts, specific allowance for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade and other 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 allowance are not made could affect our results of operations.

An allowance for doubtful trade and non-trade debts amounted to approximately HK$361,000 and HK$1,065,000 respectively (2008: nil) was made during the financial year.

The carrying amount of trade and other receivables was approximately HK$26,491,000 and HK$3,806,000 (2008: HK$68,477,000 and HK$13,492,000) respectively.

(d) Net realisable value of inventories

In accordance with IAS 2 Inventories, the Group estimates annually the net realisable value of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor actions in response to changes in market conditions. Management reassesses these estimates at each balance sheet date.

An allowance for impairment on inventories amounted to approximately HK$5,690,000 (2008: HK$4,000) was made during the financial year.

The carrying amount of inventories was approximately HK$34,953,000 (2008: HK$34,546,000).

(e) Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option. The splitting of the liability and derivative components requires an estimation of the market interest rate.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)		
– trade receivables	**26,491**	68,477
– cash and bank balances	**3,382**	29,434
– prepayments, deposits and other receivables	**3,806**	867
Financial liabilities		
Fair value through profit and loss		
– Conversion option	**620**	1,720
Amortised cost		
– trade and bills payables	**35,699**	64,160
– amount due to a related party	**950**	635
– bank overdraft	**171**	6,461
– bank loans – due within one year	**53,662**	28,340
– bank loans – due after one year	**–**	36,598
– obligations under finance leases – due within one year	**8,061**	4,205
– obligations under finance leases – due after one year	**5,707**	894
– convertible notes	**24,568**	26,049
– other payables and accruals	**19,892**	15,879

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, loan receivables, trade receivables, trade payables, derivative financial instruments, financial guarantee liabilities and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The majority of the Group's monetary assets and monetary liabilities by value and the sales are denominated in Renminbi ("RMB") and Hong Kong dollars ("HK$"), except certain equity investments are denominated mainly in USD and convertible notes are denominated in SGD. Certain cash and bank balances are denominated in United States dollars ("USD") and RMB. The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group is exposed to foreign exchange risk in respect of exchange fluctuation of HK$ against RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(i) Currency risk (Cont'd)

Sensitivity analysis

The following table details the Group's sensitivity to 3% (2008: 10%) increase and decrease in the HK$ against the relevant foreign currencies. 3% (2008: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period and for 3% (2008: 10%) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the HK$ strengthens 3% (2008: 10%) against the relevant currency. For a 3% (2008: 10%) weakening of the HK$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	RMB Impact		**SGD Impact**		**USD Impact**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or loss	**1,363**	1,448	**739**	948	**517**	1,076

(ii) Price risk

The Group's equity investments classified as derivative liability which is measured at fair value at balance sheet date and expose the Group to equity price risk. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at the balance sheet date, the Group has no significant exposure to price risk.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and borrowings. Borrowings at variable rates exposed to the Group to cash flow interest rate risk. Balances at fixed rates exposed to the Group to fair value interest rate risk. Details of the Group's bank balances and borrowings are set out in respective notes. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the balance sheet date. The analysis is prepared assuming the amount of variable rate borrowings outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

– loss for the year ended 31 March 2009 would decrease/increase by HK$395,000 (2008: decrease/increase in profit by HK$496,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Company has no significant credit risk as at 31 March 2009.

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash and bank balances, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group can be required to pay, was as follows:

	Within 1 year					
31 March 2009	**Defaulted** HK$'000	**Less than 1 month** HK$'000	**Between 1 to 3 months** HK$'000	**Between 3 months to 1 year** HK$'000	**Between 1 year to 5 years** HK$'000	**Total** HK$'000
Non-derivative financial liabilities						
Convertible notes	25,188	–	–	–	–	25,188
Bank borrowings	53,662	–	–	–	–	53,662
Obligations under finance leases						
– Current	–	–	–	8,061	–	8,061
– Non-current	–	–	–	–	5,707	5,707
Trade and bills payables	–	7,543	17,116	11,040	–	35,699
Bank overdraft	114	57	–	–	–	171
Other payables and accruals	–	2,567	5,152	5,718	6,455	19,892
Amount due to a related party	–	200	–	750	–	950
Total	78,964	10,367	22,268	25,569	12,162	149,330

	Within 1 year				
31 March 2008	**Less than 1 month** HK$'000	**Between 1 to 3 months** HK$'000	**Between 3 months to 1 year** HK$'000	**Between 1 year to 5 years** HK$'000	**Total** HK$'000
Non-derivative financial liabilities					
Convertible notes	85	175	772	26,737	27,769
Bank borrowings					
– Current	12,275	607	15,458	–	28,340
– Non-current	–	–	–	36,598	36,598
Obligations under finance leases					
– Current	360	721	3,124	–	4,205
– Non-current	–	–	–	894	894
Trade and bills payables	18,019	29,166	16,577	398	64,160
Bank overdraft	6,461	–	–	–	6,461
Other payables and accruals	8,287	755	5,010	1,827	15,879
Amount due to a related party	–	635	–	–	635
Total	45,487	32,059	40,941	66,454	184,941

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Cont'd)

(c) Capital risk management

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising stakeholders value through the optimisation of debt and equity balance.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may make dividend payments, issue shares and convertible notes, raise or repay bank borrowings.

The Group monitors the capital structure on regular basis using the gearing ratio. The gearing ratio is calculated as bank and other borrowings divided by total equity. The capital structure as at 31 March 2009 and 2008 were as follows:

	2009 **HK$'000**	2008 HK$'000
Bank and other borrowings	**92,789**	104,267
Total equity	**109,600**	116,623
Gearing ratio	**0.85**	0.89

6. SEGMENT INFORMATION

Primary reporting format – Business segments

At 31 March 2009, 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 2009 are as follows:

	Results by business segments 2009			
	Fasteners HK$'000	**Surface treatment** HK$'000	**Elimination** HK$'000	**Total** HK$'000
External sales	**102,711**	**7,763**	**–**	**110,474**
Inter-segment sales	**28,667**	**9,703**	**(38,370)**	**–**
Total revenue	**131,378**	**17,466**	**(38,370)**	**110,474**
Segment results	**33,619**	**8,661**	**–**	**42,280**
Unallocated income	**–**	**–**	**–**	**2,069**
Unallocated expenses	**–**	**–**	**–**	**(49,646)**
Loss from operations	**–**	**–**	**–**	**(5,297)**
Finance costs, net	**–**	**–**	**–**	**(6,167)**
Loss before income tax	**–**	**–**	**–**	**(11,464)**
Income tax	**–**	**–**	**–**	**(624)**
Net loss for the year	**–**	**–**	**–**	**(12,088)**
Segment assets	**246,951**	**12,713**	**–**	**259,664**
Unallocated assets	**–**	**–**	**–**	**6,525**
Total assets	**–**	**–**	**–**	**266,189**
Segment liabilities	**102,908**	**2,210**	**–**	**105,118**
Unallocated liabilities	**–**	**–**	**–**	**51,471**
Total liabilities	**–**	**–**	**–**	**156,589**
Other information				
Capital expenditure	**40,279**	**–**	**–**	**40,279**
Depreciation	**15,914**	**1,405**	**–**	**17,319**
Allowance for impairment loss on inventories	**5,690**	**–**	**–**	**5,690**

6. SEGMENT INFORMATION (Cont'd)

Primary reporting format – Business segments (Cont'd)

At 31 March 2008, 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 2008 are as follows:

	Results by business segments 2008			
	Fasteners HK$'000	Surface treatment HK$'000	Elimination HK$'000	Total HK$'000
External sales	150,354	17,002	–	167,356
Inter-segment sales	–	14,656	(14,656)	–
Total revenue	150,354	31,658	(14,656)	167,356
Segment results	59,055	11,641	–	70,696
Unallocated income	–	–	–	2,286
Unallocated expenses	–	–	–	(43,876)
Profit from operations	–	–	–	29,106
Finance costs, net	–	–	–	(6,403)
Profit before income tax	–	–	–	22,703
Income tax	–	–	–	(2,620)
Net profit for the year	–	–	–	20,083
Segment assets	242,809	17,248	–	260,057
Unallocated assets	–	–	–	47,830
Total assets	–	–	–	307,887
Segment liabilities	115,603	2,420	–	118,023
Unallocated liabilities	–	–	–	73,241
Total liabilities	–	–	–	191,264
Other information				
Capital expenditure	52,137	–	–	52,137
Depreciation	12,525	1,124	–	13,649
Allowance for impairment loss on inventories	4	–	–	4

6. SEGMENT INFORMATION (Cont'd)

Secondary reporting format – Geographical segments

Geographical locations of the Group principally comprise of Hong Kong ("HK") and the People's Republic of China (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.

	2009			2008		
	Sales HK$'000	**Total assets HK$'000**	**Capital expenditure HK$'000**	Sales HK$'000	Total assets HK$'000	Capital expenditure HK$'000
PRC (including HK)	**58,692**	**262,024**	**40,279**	125,077	304,241	52,137
South East Asia	**19,558**	**4,165**	**–**	11,533	3,646	–
Other regions	**32,224**	**–**	**–**	30,746	–	–
	110,474	**266,189**	**40,279**	167,356	307,887	52,137

7. REVENUE AND OTHER REVENUE

Analysis of the Group's revenue and other revenue is as follows:

	2009 HK$'000	2008 HK$'000
Revenue		
Sales of fasteners, net of VAT	**93,008**	150,354
Surface treatment service income, net of VAT	**17,466**	17,002
	110,474	167,356
Other revenue		
Bank interest income	**5**	1,033
Sundry income	**968**	490
Management fee income	**103**	–
	1,076	1,523

8. FINANCE COSTS, NET

	2009 HK$'000	2008 HK$'000
Interest on bank loans and overdraft	**4,296**	4,166
Interest on other loans	**–**	426
Finance charges on obligations under finance leases	**822**	335
Interest on bills payable	**1,123**	1,149
	6,241	6,076
Imputed interests on convertible note (Note 26)	**1,730**	705
Total interest	**7,971**	6,781
Exchange gain on transaction of foreign currency	**(1,804)**	(378)
	6,167	6,403

9. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax was determined after charging the following:

	2009 HK$'000	2008 HK$'000
Cost of inventories recognised as expense	**68,194**	96,660
Employee benefit expense (including directors' emoluments) (Note 10)	**27,336**	30,505
Depreciation of property, plant and equipment	**17,319**	13,649
Operating lease expenses in respect of office and factory premises	**1,167**	1,180
Repairs and maintenance expense on property, plant and machinery	**19**	1,349
Loss on disposal of property, plant and equipment	**392**	120
Allowance for doubtful non-trade debts	**1,065**	–
Other payables written-back	**(272)**	–
Allowance for impairment loss on inventories	**5,690**	4
Allowance for doubtful trade debts	**361**	–
Impairment loss on property, plant and equipment	**570**	–

10. EMPLOYEE BENEFIT EXPENSE

	2009 HK$'000	2008 HK$'000
Wages and salaries	**25,729**	28,321
Pension costs – defined contribution plans	**1,607**	2,184
	27,336	30,505

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (The "New Law") by order No. 63 of the President of the People's Republic of China which will be effective from 1 January 2008. The New Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprises. The existing Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the PRC on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously.

	2009 HK$'000	2008 HK$'000
Current taxation		
The charge comprises:		
– Hong Kong	**–**	8
– the PRC	**–**	1,983
– Singapore	**–**	–
	–	1,991
Deferred taxation (Note 27)	**624**	629
	624	2,620

11. INCOME TAX EXPENSE (Cont'd)

The tax charge for the year can be reconciled to the (loss)/profit before income tax as follows:

	2009		2008	
	HK$'000	**%**	HK$'000	%
(Loss)/profit before income tax	**(11,464)**		22,703	
Tax at the statutory tax rate	**(2,403)**	**20.9**	5,230	23.0
Tax exemption	**–**	**–**	(2,670)	(11.8)
Tax losses for which no deferred income tax asset was recognised	**551**	**(4.8)**	–	–
Utilisation of previously unrecognised tax assets	**(416)**	**3.6**	(209)	(0.9)
Expenses not deductible for tax	**2,909**	**(25.4)**	2,432	10.7
Tax effect on income not taxable	**(17)**	**(0.1)**	(2,163)	(9.5)
Tax charge for year	**624**	**(5.4)**	2,620	11.5

(a) Hong Kong profits tax has been provided for the Company and subsidiaries incorporated in Hong Kong at the rate of 16.5% (2008: 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 25% 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.

12. (LOSS)/EARNINGS PER SHARE

	2009 HK$ Cents per share	2008 HK$ Cents per share
Basic (loss)/earnings per share	**(10.07)**	17.07
Diluted (loss)/earnings per share	**(10.07)**	14.21

Basic (loss)/earnings per share

The (loss)/earnings and weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share are as follows:

	2009 HK$'000	2008 HK$'000
(Loss)/earnings used in the calculation of total basic earnings per share	**(12,088)**	20,083

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share (thousands)	**120,039**	117,617

Diluted (loss)/earnings per share
The earnings used in the calculation of diluted (loss)/earnings per share are as follows:

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to equity holder of the parent	**(12,088)**	20,083
Imputed interests on convertible notes	**–**	705
(Loss)/earnings used in the calculation of total diluted earnings per share	**(12,088)**	20,788

12. (LOSS)/EARNINGS PER SHARE (Cont'd)

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share as follows:

	2009	2008
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**120,039**	117,617
Effect of dilutive potential ordinary shares:		
Warrants	**–**	22,846
Convertible notes	**–**	5,871
Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share (thousands)	**120,039**	1,46,334

The denominators used are the same as those diluted for above basic and diluted earnings per share as the warrants and potential ordinary shares to be converted from convertible notes do not have dilutive effect for the financial year ended 31 March 2009.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Moulds HK$'000	Land and building HK$'000	Total HK$'000
Cost:								
At 1 April 2007	21,946	65,865	1,287	4,870	4,497	9,797	–	108,262
Additions	–	21,997	200	–	954	6,086	–	29,237
Disposal	–	(277)	(50)	–	–	–	–	(327)
Exchange translation	2,388	5,194	65	181	325	742	–	8,895
At 31 March 2008	24,334	92,779	1,502	5,051	5,776	16,625	–	146,067
Additions	10	19,614	25	141	222	5,460	–	25,472
Transfer from construction in progress	17,108	–	–	–	–	–	66,628	83,736
Exchange translation	528	1,345	154	25	(1)	223	–	2,274
Disposal	–	(1,772)	–	(91)	–	–	–	(1,863)
Impairment loss	(214)	(95)	(207)	–	(114)	–	–	(630)
At 31 March 2009	41,766	111,871	1,474	5,126	5,883	22,308	66,628	255,056
Accumulated depreciation:								
At 1 April 2007	3,679	13,243	620	1,484	1,865	4,204	–	25,095
Charge for the year	1,174	6,684	145	701	803	4,142	–	13,649
Disposal	–	(147)	(50)	–	–	–	–	(197)
Exchange translation	468	1,231	(6)	63	145	289	–	2,190
At 31 March 2008	5,321	21,011	709	2,248	2,813	8,635	–	40,737
Charge for the year	1,270	8,366	146	597	910	5,245	785	17,319
Exchange translation	117	314	58	8	23	87	–	607
Disposal	–	(1,041)	–	(63)	–	–	–	(1,104)
Impairment loss	(14)	(4)	(28)	–	(14)	–	–	(60)
At 31 March 2009	6,694	28,646	885	2,790	3,732	13,967	785	57,499
Net book value:								
At 31 March 2009	**35,072**	**83,225**	**589**	**2,336**	**2,151**	**8,341**	**65,843**	**197,557**
At 31 March 2008	19,013	71,768	793	2,803	2,963	7,990	–	105,330

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31 March 2009, the Group's net book value of property, plant and equipment held under finance leases amounting to approximately HK$32,679,000 (2008: HK$11,463,000).

Property, plant and machinery of the Group with an aggregate net book value of approximately HK$91,427,000 (2008: HK$41,347,000) were pledged to secure the bank loan facilities granted by certain financial institutions (Note 22).

14. CONSTRUCTION IN PROGRESS

	Group
	HK$'000
At 1 April 2007	18,484
Additions	30,185
At 31 March 2008 and 1 April 2008	48,669
Additions	25,862
Exchange translation	1,089
Transfer from deposit paid for acquiring a lease	8,116
Transfer to property, plant and equipment	(83,736)
At 31 March 2009	**–**

Analysis of construction-in-progress

	2009	2008
	HK$'000	HK$'000
Construction cost of factory premises	**–**	48,669

During the financial year, borrowing costs capitalised in construction in progress amounted to HK$848,000 (2008: HK$1,114,000) were based on the capitalisation rate range from 6.75% to 9.29% (2008: range from 7.48% to 8.25%) to determine the eligible borrowing costs for capitalisation.

15. INVESTMENTS IN SUBSIDIARIES

	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	**13,488**	13,488
Amounts due from subsidiaries	**83,368**	69,523
Less: allowance for doubtful debts	**(7,700)**	(7,700)
	75,668	61,823
Amounts due to subsidiaries	**(1,478)**	(1,440)

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. As at 31 March 2009, the Company had equity interests in the following subsidiaries:

Name of subsidiaries	**Principal activities**	**Date and country of incorporation**	**Issued and paid-in capital**	**Percentage of equity interest held 2009**	Percentage of equity interest held 2008
Billion East Limited [1]	Investment holding	13 March 2003 (the British Virgin Islands)	US$2	**100%**	100%
Chain Dragon Asia Limited ("Chain Dragon") [2]	Investment holding	15 October 1996 (Hong Kong)	HK$2	**100%**	100%
Evermore Overseas Limited. [1]	Investment holding	12 July 2005 (the British Virgin Islands)	US$1	**100%**	100%
Genstar Holdings Limited [1]	Investment holding	6 March 2003 (the British Virgin Islands)	US$2	**100%**	100%
Goodford Limited ("Goodford") [2, 3]	Investment holding	30 August 2006 (Hong Kong)	HK$1	**100%**	100%
Joyful Mount Limited ("Joyful Mount") [1, 3]	Investment holding	29 September 2006 (the British Virgin Islands)	US$1	**100%**	100%
Max Gold Ltd. [1]	Investment holding	2 January 2004 (the British Virgin Islands)	US$1	**100%**	100%
Newsky Global Limited [1]	Investment holding	6 March 2003 (the British Virgin Islands)	US$2	**100%**	100%

15. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiaries	Principal activities	Date and country of incorporation	Issued and paid-in capital	Percentage of equity interest held 2009	Percentage of equity interest held 2008
Silver Star Electro-Plating Co., Limited ("Silver Star") [2]	Provision of surface treatment services	7 February 1995 (Hong Kong)	HK$2	**100%**	100%
Sportmax Ltd. [1]	Investment holding	13 March 2003 (the British Virgin Islands)	US$2	**100%**	100%
Superior Fastening (Shanghai) Ltd ("Superior Shanghai") [2]	Manufacturing of fasteners	19 March 2004 (the PRC)	US$5,000,000	**100%**	100%
Superior Fasteners (S) Pte Ltd. [4]	Trading of fasteners	22 July 2003 (Singapore)	S$2	**100%**	100%
Superior Industrial Solutions Ltd. [2]	Investment holding	15 October 2007 (Hong Kong)	HK$100	**65%**	65%
Superior Industrial Solutions (Shanghai) Ltd. [2]	Manufacturing and trading of fasteners	13 February 2008 (the PRC)	US$164,000	**65%**	65%
Superior Metal Hardware Products (Huizhou) Ltd. ("Superior Metal") [2]	Manufacturing and trading of fasteners	15 August 2003 (the PRC)	HK$27,378,400	**100%**	100%
Superior Screws Manufacturers Limited ("SSML") [2]	Manufacturing and trading of fasteners	3 March 1999 (Hong Kong)	HK$2	**100%**	100%
WUXI BSM Co., Ltd. ("WUXI BSM") [3]	Manufacturing and trading of fasteners	4 December 2006 (the PRC)	US$1,000,000	**51%**	51%
Superior Fastening (HK) Limited ("Superior HK") [2]	Trading of fasteners	18 August 2008 (Hong Kong)	HK$1	**100%**	–

1 Not required to be audited by law of the country of incorporation of that subsidiary
2 Audited by ZYCPA Company Limited, a Certified Public Accountant in Hong Kong
3 Held under voluntary disposing
4 Audited by LTC LLP Singapore

16. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**8,759**	7,268
Work in progress	**5,606**	8,372
Finished goods	**26,373**	19,001
	40,738	34,641
Less: allowance for impairment loss on inventories	**(5,785)**	(95)
	34,953	34,546

As at 31 March 2009, inventories of approximately HK$Nil (2008: HK$5,526,000) were stated at net realisable value.

The movement in the allowance of impairment loss on inventories is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of year	**95**	91
Current year charge	**5,690**	4
Balance at end of year	**5,785**	95

17. TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**27,056**	68,681
Less: allowance for trade doubtful debts	**(565)**	(204)
	26,491	68,477

17. TRADE RECEIVABLES (Cont'd)

The movement in the allowance for doubtful trade debts is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of year	**204**	204
Current year charge	**361**	–
Balance at end of year	**565**	204

The Group allows an average credit period of 90 days to its trade customers. As at 31 March 2009, trade receivables of HK$565,000 (2008: HK$204,000) were impaired and provided for. The following is an aged analysis of trade receivables at the balance sheet date that were past due but not impaired:

	Group	
	2009	2008
	HK$'000	HK$'000
0 to 30 days	**22,770**	23,891
31 to 60 days	**1,524**	13,201
61 to 90 days	**841**	11,802
Over 91 days	**1,356**	19,583
	26,491	68,477

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance recognised.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009	2008
	HK$'000	HK$'000
RMB	**10,779**	26,145
USD	**4,486**	8,805
HK$	**10,620**	31,602
Other	**606**	1,925
	26,491	68,477

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**839**	342	**–**	–
Deposits paid	**1,822**	11,030	**–**	–
Prepayments	**2,210**	2,120	**867**	1,692
	4,871	13,492	**867**	1,692
Less: allowance of doubtful non-trade debt	**(1,065)**	–	**–**	–
	3,806	13,492	**867**	1,692

The movement in the allowance for doubtful non-trade debts is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of year	**–**	–
Current year charge	**1,065**	–
Balance at end of year	**1,065**	–

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**1,583**	3,130	**–**	–
USD	**466**	1,178	**467**	1,178
HK$	**1,278**	8,609	**–**	–
Other	**479**	575	**400**	514
	3,806	13,492	**867**	1,692

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalent for the purpose of the cash flow statements includes:

	Group	
	2009	2008
	HK$'000	HK$'000
Cash and bank balances	**3,382**	29,434
Bank overdrafts, secured (Note 22)	**(171)**	(6,461)
	3,211	22,973

As at 31 March 2009, the cash and bank balances of the Group are denominated in the following currencies:

	2009	2008
	HK$'000	HK$'000
USD	**1,395**	2,380
RMB	**529**	2,135
HK$	**1,249**	9,036
SGD	**209**	15,883
	3,382	29,434

20. TRADE AND BILLS PAYABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	**23,429**	41,250
Bills payables (secured)	**12,270**	22,910
	35,699	64,160

The effective interest rate of bills payables ranges from 5.75% to 8.69% (2008: ranging from 3.4% to 8.25%) per annum.

Bills payables are secured by joint and several corporate guarantees by the Company and certain subsidiaries of the Group.

20. TRADE AND BILLS PAYABLES (Cont'd)

As at 31 March 2009, included in the carrying amounts of bills payables of approximately HK$6,364,000 were under the Writ as mentioned in note 2(i) to the consolidated financial statements and approximately HK$5,088,000 were in default on account of outstanding and overdue payments and/or companies in the Group have breached certain cross default clauses as mentioned in note 2(ii) to the consolidated financial statements.

Remedied and negotiation actions have been carried out by the directors of the Company in respect of outstanding bills payables under the Writ is set out in note 2(i) to the consolidated financial statements and bills payables that are in default as mentioned above is set out in note 2(ii) to the consolidated financial statements.

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2009	2008
	HK$'000	HK$'000
RMB	**23,473**	28,550
USD	**51**	–
HK$	**12,164**	35,554
Other	**11**	56
	35,699	64,160

21. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**4,365**	3,908	**–**	–
Accrued salaries	**4,961**	4,428	**3,626**	2,647
Accrued professional fees	**2,164**	652	**2,164**	384
Accrued operating expenses	**3,676**	1,086	**–**	–
Trade deposit received	**307**	431	**–**	–
Other accruals	**3,734**	3,588	**–**	49
Value-added tax payable	**685**	1,786	**–**	–
	19,892	15,879	**5,790**	3,080

22. BANK LOANS AND BANK OVERDRAFTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans (secured)	**53,662**	64,938	**12,753**	17,667
Bank overdrafts (secured)	**171**	6,461	**–**	–
	53,833	71,399	**12,753**	17,667

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount repayable:				
On demand or within one year	**53,833**	34,801	**12,753**	5,733
More than one year, but not exceeding two years	**–**	36,598	**–**	11,934
	53,833	71,399	**12,753**	17,667
Less: amount due within one year shown under current liabilities	**(53,833)**	(34,801)	**(12,753)**	(5,733)
	–	36,598	**–**	11,934

22. BANK LOANS AND BANK OVERDRAFTS (Cont'd)

At the balance sheet date, the Group was exposed to fixed-rate borrowings carrying interest ranging from 3.4% to 7.47% (2008: fixed rate borrowing carrying interest ranging from 3.4% to 8.25%) per annum, and the contractual maturity dates are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate borrowings:				
Within one year	**3,409**	4,787	**–**	–
More than one year, but not exceeding two years	**–**	2,109	**–**	–
	3,409	6,896	**–**	–

In addition, the Group has variable-rate borrowings amounting to HK$50,424,000 (2008: HK$64,503,000) which carrying interest ranging from 3.65% to 9.7% (2008: variable rate borrowing carrying interest ranging from 5% to 8.25%) per annum.

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

(a) Joint and several corporate guarantees by the Company and certain subsidiaries of the Group; and

(b) Certain of the Group's property, plant and machinery with an aggregate net book value of approximately HK$91,427,000 (2008: HK$41,347,000) (Note 13).

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$25,585,000 (2008: HK$28,421,211).

As at 31 March 2009, included in the carrying amount of bank loans and overdrafts of approximately HK$4,680,000 were under the Writ as mentioned in note 2(i) to the consolidated financial statements and approximately HK$49,096,000 and HK$12,753,000 of the Group and the Company respectively were in default on account of outstanding and overdue payments and/or companies in the Group have breached certain financial covenants with banks and/or companies in the Group have breached certain cross default clauses as mentioned in note 2(ii) to the consolidated financial statements.

Included in the carrying amount of bank loans that were in default as mentioned above of approximately HK$7,244,000 were classified as current liabilities.

Remedied and negotiation actions have been carried out by the directors of the Company in respect of outstanding bank loans under the Writ is set out in note 2(i) to the consolidated financial statements and bank loans and overdraft that are in default as mentioned above is set out in note 2(ii) to the consolidated financial statements.

22. BANK LOANS AND BANK OVERDRAFTS (Cont'd)

The carrying amounts of the Group's bank loans and bank overdrafts are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
RMB	**22,727**	17,458
USD	**17,433**	23,127
HK$	**13,673**	30,814
	53,833	71,399

23. OBLIGATIONS UNDER FINANCE LEASES

At as 31 March 2009, the total future minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments 2009 HK$'000	Minimum lease payments 2008 HK$'000	**Present value of minimum lease payments 2009 HK$'000**	Present value of minimum lease payments 2008 HK$'000
Amount payable:				
Within one year	**8,693**	4,681	**8,061**	4,205
In the second to fifth years, inclusive	**5,946**	1,013	**5,707**	894
Total minimum finance lease payments	**14,639**	5,694	**13,768**	5,099
Future finance lease payables	**(871)**	(595)		
Total net finance lease payables	**13,768**	5,099		
Portion classified as current liabilities	**(8,061)**	(4,205)		
Non-current liabilities	**5,707**	894		

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The interest rate on finance lease was approximately 3.84% (2008: 3.53%) per annum and the term entered into was three years. Interest rate is fixed at the contract rate. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. FINANCIAL GUARANTEE LIABILITIES

	Company	
	2009	2008
	HK$'000	HK$'000
Guarantees given to certain subsidiaries for banking facilities	**429**	8

25. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party was unsecured, interest free and repayable on demand.

26. CONVERTIBLE NOTES

S$5,000,000 denominated convertible notes were issued by the Company on 2 November 2007 at an issue price of S$1 per note. The conversion price is S$0.35 per share, subject to adjustment. The conversion price had been adjusted to S$0.30 per share in an Extraordinary General Meeting held on 27 March 2009.

Conversion may occur at any time between 2 November 2007 and 26 October 2010. If the notes have not been converted, they will be redeemed on 2 November 2010 at 103% of their principal amount. The notes bear interest at the rate of Singapore Dollars Swap Offered Rate plus 1% per annum, payable quarterly in arrears on 1 April, 1 July, 1 October and 1 January in each year.

The net proceeds received from the issue of the convertible notes have been split between the liability element and conversion option, representing the call option on the equity of the Group, as follows:

	Company	
	2009	2008
	HK$'000	HK$'000
Liability component	**24,568**	26,049
Conversion option	**620**	1,720
	25,188	27,769

	Company	
	2009	2008
Liability component	**HK$'000**	HK$'000
Proceeds of issue (net of apportioned transaction costs)	**–**	28,192
Conversion option	**–**	(2,534)
Liability component at beginning of year/date of issue	**26,049**	25,658
Imputed interest expense charged (Note 8)	**1,730**	705
Actual interest paid/payable during the year	**(667)**	(360)
Foreign exchange differences	**(2,544)**	46
At end of year	**24,568**	26,049

26. CONVERTIBLE NOTES (Cont'd)

The interest charged for the year is calculated by applying an effective interest rate of 6.81% (2008: 7.75%). The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue of approximately HK$25,658,000 and the amount reported at the balance sheet date HK$24,568,000 (2008: HK$26,049,000) represents the effective interest rate less interest paid to that date.

	Company	
	2009	2008
Conversion option	**HK$'000**	HK$'000
At beginning of year/date of issue	**1,720**	2,534
Change in fair value	**(993)**	(763)
Foreign exchange differences	**(107)**	(51)
At end of year	**620**	1,720

The fair value at 31 March 2009 of conversion option was valued by BMI Appraisals Limited, an independent valuer, on a Binomal Method basis. The expected volatility of conversion option is 134.86% (2008: 53.52%) and the risk free rate is 0.54% (2008: 1.27%).

The change in fair value of conversion option has been charged to the consolidated income statement during the year.

As at 31 March 2009, the Company carrying amount of convertible notes of approximately HK25,188,000 were in default on account of breached of the cross default clauses as mentioned in note 2(ii) to the consolidated financial statements. The convertible notes were reclassified as current liabilities.

Negotiation action has been carried out by the directors of the Company in respect of convertible notes that are in default as mentioned above is set out in note 2(ii) to the consolidated financial statements.

27. DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2008: 17.5%).

The movement on the deferred tax liabilities is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At beginning of year	**3,412**	2,783
Charge for the year (Note 11)	**624**	629
Exchange translation	**(3)**	–
At end of year	**4,033**	3,412

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.

28. SHARE CAPITAL

For the years ended 31 March 2009 and 2008, details of the share capital of the Company are as follows:

	Note	**Number of Shares** '000	**Share capital** HK$'000
Ordinary shares of HK$0.17 each			
Authorised:			
At 31 March 2008 and 2009		588,235	100,000
Issued and fully paid:			
At 1 April 2007		112,017	19,043
Conversion of warrants into shares	(a)	7,997	1,359
At 31 March 2008 and at 1 April 2008		120,014	20,402
Conversion of warrants into shares	(b)	101	18
At 31 March 2009		120,115	20,420

(a) During the year ended 31 March 2008, 7,997,000 warrants were exercised for 7,997,000 shares of HK$0.17 each at a price of S$0.11.

(b) During the year ended 31 March 2009, 101,100 warrants were exercised for 101,100 shares of HK$0.17 each at a price of S$0.11.

29. RESERVES

Group

	Share premium HK$'000	Statutory fund reserves HK$'000	Exchange reserves HK$'000	Warrant reserves HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance as at 1 April 2007	16,855	153	1,619	4,775	41,953	2,744	68,099
Exchange translation	–	–	7,614	–	–	–	7,614
Income and expense recognized	–	–	7,614	–	–	–	7,614
Net profit for the year	–	–	–	–	20,083	–	20,083
Total income and expense recognized for the year	–	–	7,614	–	20,083	–	27,697
Conversion of warrants into shares	4,062	–	–	(893)	–	–	3,169
Transfer to statutory fund	–	1,477	–	–	(1,477)	–	–
Dividend paid	–	–	–	–	–	(2,744)	(2,744)
Balance as at 31 March 2008 and 1 April 2008	20,917	1,630	9,233	3,882	60,559	–	96,221
Exchange translation	–	–	5,007	–	–	–	5,007
Income and expense recognized	–	–	5,007	–	–	–	5,007
Net loss for the year	–	–	–	–	(12,088)	–	(12,088)
Total income and expense recognized for the year	–	–	5,007	–	(12,088)	–	(7,081)
Conversion of warrants into shares	52	–	–	(12)	–	–	40
Balance as at 31 March 2009	20,969	1,630	14,240	3,870	48,471	–	89,180

Statutory fund reserves

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 2009, no transfer of profit to both statutory fund reserves and staff and workers' bonus and welfare fund.

29. RESERVES (Cont'd)

Company

	Share premium HK$'000	Exchange reserves HK$'000	Warrant reserves HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance as at 1 April 2007	16,855	–	4,775	1,324	2,744	25,698
Exchange translation	–	(4,150)	–	–	–	(4,150)
Income and expense recognized	–	(4,150)	–	–	–	(4,150)
Net profit for the year	–	–	–	396	–	396
Total income and expense recognized for the year	–	(4,150)	–	396	–	(3,754)
Conversion of warrants into shares	4,062	–	(893)	–	–	3,169
Dividend paid	–	–	–	–	(2,744)	(2,744)
Balance as at 31 March 2008	20,917	(4,150)	3,882	1,720	–	22,369
Exchange translation	–	2,478	–	–	–	2,478
Income and expense recognized	–	2,478	–	–	–	2,478
Net loss for the year	–	–	–	(903)	–	(903)
Total income and expense recognized for the year	–	2,478	–	(903)	–	1,575
Conversion of warrants into shares	52	–	(12)	–	–	40
Balance as at 31 March 2009	20,969	(1,672)	3,870	817	–	23,984

In the opinion of the directors of the Company, the Company had no distributable reserve as at the balance sheet date.

Warrant reserves

In November 2005, a renounceable right issue of 43,878,480 warrants was completed on the basis of two warrants for every five existing ordinary shares at an issue price of S$0.03 each. Each warrant entitles its holder to subscribe for one new ordinary shares of HK$0.17 in the capital of the Company at an exercise price of S$0.11 during a three year period until 2 January 2009.

On 1 January 2009, the unexercised warrants had ceased to be valid.

30. DIRECTORS' EMOLUMENTS

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

	2009 HK$'000	2008 HK$'000
Fees	**1,634**	809
Other emoluments	**2,301**	4,729
Pension costs – defined contribution plans	**20**	24
	3,955	5,562

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

	NUMBER OF DIRECTORS	
	2009	2008
Executive directors		
– S$250,000 to below S$500,000 (equivalent to approximately HK$1,338,750 to HK$2,677,500)	**–**	3
– Below S$250,000 (equivalent to approximately HK$1,338,750)	**3**	–
Total	**3**	3
Non-executive and Independent directors		
– Below S$250,000 (equivalent to approximately HK$1,338,750)	**3**	3

31. COMMITMENTS

(a) Capital commitments

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

	2009 HK$'000	2008 HK$'000
Commitments for the acquisition of property, plant and equipment	**–**	17,836

(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:

	2009 HK$'000	2008 HK$'000
Not later than one year	**1,275**	647
Later than one year and not later than five years	**3,680**	2,294
Later than five years	**7,648**	4,568
	12,603	7,509

32. BANKING FACILITIES

Aggregate banking facilities of the Group as at 31 March 2009 were approximately HK$114,612,000 (2008: HK$114,975,000) of which the unused facilities as at the same date amounted to approximately HK$48,509,000 (2008: HK$84,749,000). These facilities related to overdrafts, loans and trade financing and were secured by:

(a) Corporate guarantees provided by the Company;

(b) Certain of the Group's property, plant and machinery with an aggregate net book value of approximately HK$91,427,000 (2008: HK$41,347,000) (Note 13); and

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

Subsequent to the balance sheet date, on 19 May 2009, the directors of the Company announced that the Company had fulfilled the Group banks' request to facilitate continual discussions of the negotiation in relation to the restructuring of the indebtedness of the Company and/or its subsidiaries as mentioned in note 2(ii) to the consolidated financial statements as follows:

(a) the Company has entered into a debenture in favour of a Group major bank as agent and trustee by way of fixed and floating charges, all undertaking, property and assets of the Company as securities for, inter alia, all obligations and liabilities, actual or contingent of the Group and the Company's indebtedness; and

(b) a substantial shareholder holding 56.80% of the issued share capital of the Company had entered into a mortgage over 23,000,000 shares in the Company (the "Mortgage Shares"), representing 19.15% of the issued share capital of the Company, in favour of the Group major bank as agent and trustee as mentioned above, by way of first legal mortgage, all the right title and interest of the substantial shareholder in and to Mortgage Shares.

33. EMPLOYEE SHARE OPTION SCHEME

On 27 October 2003, the shareholders of the Group 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 2009 and 2008, the Company had not granted any share option to the eligible participants.

34. 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.

34. EMPLOYEE SHARE AWARDS SCHEME (Cont'd)

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 the 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 2009, the Company had not granted any share awards to the eligible participants.

35. RELATED PARTY TRANSACTIONS

For the year ended 31 March 2009, the Group had total compensation for key management personnel comprising the directors of the Company at approximately HK$4,444,000 (2008: HK$5,669,000).

Apart from the transactions disclosed above and disclosed in Note 15, the Group and the Company had no other material transactions with related parties during the year.

36. FOREIGN EXCHANGE CONTRACTS

As at 31 March 2009, the Group has outstanding commitments in respect of foreign exchange contracts with financial institutions as follows:

(i) Open forward contracts to purchase US$300,000 or US$600,000 and to sell equivalent HK$2,325,000 or HK$4,650,000 respectively.

(ii) Open forward contracts to purchase US$1,800,000 and to sell equivalent HK$13,950,000.

The directors of the Company estimated that the fair value of the foreign exchange contracts would not have significant impact to the Group.

37. COMPARATIVE FIGURES

The financial statements for last year were reported on by auditor other than LTC LLP whose report dated 19 July 2008 expressed an unqualified opinion with an emphasis of matter on those financial statements. The emphasis of matter is excerpted as follows:

"Without qualifying our opinion, we draw attention to Note 39 to the consolidated financial statements. In the course of preparation of the Group's consolidated financial statements for the year ended 31 March 2008, the directors of the Company (the "Directors") noted certain errors (the "Errors") made by Superior Screws Manufacturing Limited ("Superior HK"), a wholly-owned subsidiary of the Company, in documents supporting its applications for certain trust receipts loans granted by certain banks to Superior HK during the year ended 31 March 2008. The aforesaid trust receipts loans were fully repaid by the Group prior to 31 March 2008. Having investigated the nature and cause of Errors, the Directors were of the opinion that the Errors were unintentional and represented isolated events, and had no material effects on the Group's consolidated financial statements for the year ended 31 March 2008. The details of the Errors have subsequently been disclosed to the relevant bank by the Directors for clarification. In addition, based on legal advice of the Group's legal counsel, the Directors were of the opinion that no material actual or contingent liabilities would arise from the Errors".

38. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 July 2009.

Statistics of Shareholdings

STATISTICS OF SHAREHOLDINGS AS AT 11 JUNE 2009

Issued and fully paid up capital	:	HK$20,419,618
Class of shares	:	Ordinary Share of HK$0.17 each
Voting rights	:	One vote per share

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY (AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name	No. of Ordinary shares of HK$0.17 each Direct Interest	%	Deemed Interest	%
China Network Group Limited	68,221,200	56.80	–	–
Lam Tak Shing	160,000	0.13	74,221,200	61.79
Tang Yuk Fung	–	–	68,221,200	56.80
Kwan Suk Yee	6,000,000	5.00	68,381,200	56.93

Notes:

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

FREE FLOAT [Rule 1207(9) of the Listing Manual]

As at 11 June 2009, approximately 38.07% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company). The Company did not hold any treasury shares as at 11 June 2009.

Accordingly, the Company has complied with Rule 723 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	134	17.63	2,070	0.00
1,000 – 10,000	220	28.95	1,099,000	0.92
10,001 – 1,000,000	395	51.97	32,254,010	26.85
1,000,001 and above	11	1.45	86,760,320	72.23
Total	**760**	**100.00**	**120,115,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	China Network Group Limited	60,110,600	50.04
2	CIMB Bank Nominees (S) Sdn Bhd	8,000,000	6.66
3	Kwan Suk Yee	6,000,000	5.00
4	Sin Seng Huat International Pte Ltd	2,662,000	2.22
5	Kim Eng Securities Pte. Ltd.	2,181,620	1.82
6	UOB Kay Hian Pte Ltd	1,664,000	1.39
7	Lau Lye Teck	1,475,000	1.23
8	Phillip Securities Pte Ltd	1,360,100	1.13
9	Low Chin Yee	1,300,000	1.08
10	Citibank Nominees Singapore Pte Ltd	1,005,000	0.84
11	OCBC Securities Private Ltd	1,002,000	0.83
12	Lim Soon Lai	754,000	0.63
13	Yim Wing Cheong	735,000	0.61
14	Ong Chin Yam	720,000	0.60
15	Lim & Tan Securities Pte Ltd	650,000	0.54
16	Kwan Tuck Lock Michael	608,000	0.51
17	DMG & Partners Securities Pte Ltd	600,000	0.50
18	Seah Seow Choo	542,000	0.45
19	Kuah Hong Bol	540,000	0.45
20	DBS Vickers Securities (S) Pte Ltd	500,000	0.42
Total		**92,409,320**	**76.95**

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, 31 July 2009 at 9.00 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 2009 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Ms Kwan Suk Yee **(Resolution 2)**
   Mr. See Yen Tarn **(Resolution 3)**

3. To re-appoint Messrs LTC LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

4. 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:

5. Authority to allot and issue shares up to one hundred per cent. (100%) of the total number of issued shares excluding treasury shares.

   "That, pursuant to Rule 806(2) of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Rules of Catalist"), 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

   (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 one hundred per cent. (100%) of the total number of issued shares excluding treasury shares for the time being and that the aggregate number of shares and convertible securities in the Company to be issued other than on a pro rata basis to the then existing shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares 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 earlier, except that the Directors shall be authorised to allot and issue new

AS SPECIAL BUSINESS (Cont'd)

shares pursuant to the convertible securities notwithstanding that such authority has ceased. For the purposes of this Resolution and Rule 806(3) of the Rules of Catalist, the percentage of the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares 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 Catalist; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares."
[See Explanatory Note (i)] **(Resolution 5)**

6. 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 8 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 6)**

7. Authority to grant share awards 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 6) 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 7)**

By Order of the Board

Tan Ping Ping
Company Secretary

Singapore, 9 July 2009

Explanatory Notes:

(i) The Ordinary Resolution 5 proposed in item 5 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 one hundred per cent. (100%) of the total number of issued shares excluding treasury shares (as defined in Resolution 5) 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 fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 5) 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 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 6 proposed in item 6 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 7 proposed in item 7 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares 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, Boardroom Corporate & Advisory Services 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, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least 48 hours before the time of the Annual General Meeting.

SUPERIOR FASTENING TECHNOLOGY LIMITED
(Registration No. 33437)
(Incorporated in Bermuda with limited liability)

Proxy Form
For Script-based Shareholders Only

I/We ____ (Name)

of ____ (Address)

being a member/members of **SUPERIOR FASTENING TECHNOLOGY LIMITED** (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624 on Friday, 31 July 2009 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Accounts for the year ended 31 March 2009		
2.	Re-election of Ms Kwan Suk Yee		
3.	Re-election of Mr. See Yen Tarn		
4.	Re-appointment of Messrs LTC LLP as the Company's Auditors		
5.	Authority to allot and issue new shares		
6.	Authority to grant options and issue shares under the Superior Employee Share Option Scheme		
7.	Authority to grant awards and issue shares under the Superior Fastening Technology Share Plan		

Dated this ____________ day of ____________ 2009

Total No. of Shares in:	No. of Shares
Register of Members	

____

Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of shares registered in his name in the Register of Members of the Company.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

3. A proxy need not be a member of the Company.

4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than 48 hours before the time appointed for the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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