Forging Ahead

Superior Fastening Technology Limited
Annual Report 2006

MISSION STATEMENT

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.

Forging Ahead

Since its listing on the SGX-SESDAQ in December 2003, Superior Fastening Technology Limited (the 'Group') has been constantly moving forward, implementing corporate strategies designed to enhance growth and ensure that the Group maintains its position as a leading manufacture of high quality metallic fasteners and accessories.

Our corporate culture challenges our experienced management team to constantly innovate and proactively engage with our customers and suppliers to match our own high expectations. As a result of this action we believe we are 'Forging Ahead' by:

Expanding Capacity and Enhancing Capability

With the expansion and improvements at our manufacturing facilities in the People's Republic of China (the 'PRC'), especially the construction of a new factory in Shanghai, we will not only increase capacity, but also broaden the range of services which we are currently able to offer our customers. As a result of this continuous innovation Superior Fastening is able to provide the best in integrated system solutions, which translates into Group and customer cost savings, to serve industry demands in a global marketplace.

Diversifying Our Customer Base

By further penetrating new sectors and widening our geographic and product reach, the Group has made inroads into new customer market spaces such as those in the automotive industry and the Japanese consumer electronics manufacturing sector which has continued to migrate to China in a bid to lower its cost base.

Developing New Products

Superior Fastening is committed to maintaining a strong research and development ('R & D') programme and working in close partnership with our customers during the New Product Induction phase. By working closely with customers we are better able to anticipate their future needs.

Ensuring Quality and Reliability

The quality of our products and services has always been an integral part of Superior Fastening's ethos. Our stringent Quality Assurance programme spans the entire production process from raw material procurement to product delivery. We have been ISO 9001 accredited since 2000 and achieved TS16949 accreditation, an automotive industry standard in quality, at our Shanghai plant in 2006.

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

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

During the last 18 years it has grown to become a leading manufacturer of metallic fastener products supplying global customers from a diverse range of industries including consumer electronics, business equipment and automotive.

Superior Fastening incorporates fully integrated metal-forming, metallurgy, surface and heat treatment capabilities from which it derives a competitive advantage. This allows the Group to effectively manage each phase of the manufacturing process and reduce supply chain costs to the benefit of its customers and suppliers.

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

A Changing Focus

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

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

Manufacturing Quality and Strength

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

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

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

2006

TS16949 ACCREDITATION

To capture the fast growing business in automotive industry – our Shanghai plant achieved this sought after accreditation in March 2006

2004

FURTHER EXPANSION IN CHINA

Our second factory in China – Superior Fasteners (Shanghai) Ltd was founded and quickly obtained ISO9001 accreditation

2003

SUPERIOR IPO IN SINGAPORE

Superior Fasteners (Singapore) Pte Ltd was founded and the Group was listed on SESDAQ in December 2003

2000

EXPANSION IN CHINA

Superior Screws (Huizhou) Industry Ltd was set up as a wholly owned foreign enterprise – it consolidated the manufacturing and surface treatment activities and obtained ISO9001 accreditation

1999

SHIFT IN STRATEGIC FOCUS

Our business focus shifts to the electronics sector to provide fasteners for such products as printers, computers, mobile phones, etc

1995

PLATING FACILITY

With the formation of Silver Star Electro-plating Co, the Group now had in-house capability for surface treatment processes

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

1988

FOUNDED IN HONG HONG

Superior Screws Manufactures was founded in Hong Kong and produced fasteners for audio and video cassettes

Dear Valued Shareholders,

As we reflect on the previous twelve months and enter into our third year as a publicly listed company on the Singapore Exchange, Superior Fastening Technology has continued to reap the rewards of the rigourous implementation of its growth and development strategies. This has been a challenging year with raw material, transportation and other costs climbing throughout the period and competition remaining as fierce as ever. In spite of this, the Group has performed well and has experienced steady growth in all aspects of its business.

Our Shanghai subsidiary in the PRC began production in December 2004 and we have enjoyed its first full year contribution in this year's financial statements. We have also moved forward with our plans to build a fully owned, purpose-built production centre, close to our current location in Shanghai. The new facility will come complete with surface treatment and heat treatment facilities which will further strengthen our position as a fully-integrated, one-stop manufacturer of high quality fasteners. The Shanghai facility was established with the aim of focussing on, and developing, the Northern PRC market for the Group as the manufacturing sector has grown rapidly in that region and we believe it will continue to do so.

In anticipating and meeting our customers' needs by providing integrated and value added services, along with stringent quality control, we are able to improve our efficiency and be more competitive in terms of pricing and establish quicker turn-around times to the benefit of all.

Financial Performance and Growth

During the financial year under review, the period ending 31 March 2006 ('FY2005/06'), revenue rose by 26% to HK$98.2 million from HK$77.9 million in the corresponding period last year ('FY2004/05') (approximately S$20.04 million and S$15.9 million respectively)[1]. These results were achieved as a consequence of robust demand for our fastener products and surface treatment services from both existing and new customers, as well as the first full year contribution from our wholly-owned subsidiary, Superior Fastening (Shanghai) Ltd.

Overall the Group has worked hard to implement its expansion strategies and the result has been solid revenue growth which has ensured that our financial performance has remained on an upward trajectory. The increase in revenue translates to a compound annual growth rate (CAGR) of just under 41% in the last 5 years.

Full-year net profit was boosted by a 31.7% increase to HK$11.36 million (S$2.3 million) and the Group's management is pleased with this performance. In spite of the escalating material costs and increased competition in the industry, gross profit grew to HK$37.8 million (around S$7.7 million), or 24.3%.

The Group has closely managed expenses in line with growth, and gross margins were maintained at 38.5% (39% in the previous year). The cost of sales rose by 27.1%, selling and distribution expenses by 26.8% and general and administrative expenses by 24%. These were all in line with the 26% increase in sales revenue.

Based on the Group's latest full-year results, earnings per ordinary share (on the weighted average of 107.1 million ordinary shares issued) rose from 8.27 HK cents to 10.61 HK cents, while its net asset value per ordinary share increased from 45.96 HK to 63.91 HK cents as at 31 March 2006.

During this financial year the effective tax rate fell from 19.1% to 10.3% due to a two year tax exemption for the Shanghai facility which began in FY2005/06. The Group will continue to enjoy a discounted tax rate of 15% for three more years (the standard tax rate is currently 27% and this is therefore a meaningful incentive) when the exemption finishes in September 2007.

The Board of Directors have indicated that there will not be a final dividend for the FY2005/06. As the Group is still in the process of planned growth, the retained profits will be used to finance the Group's expansion plans. However, the Board has given an indication that it is their intention to review the current dividend policy and introduce a dividend payment in FY2006/07.

Segmental Review

On a segmental basis the Group accounts for two divisions, the Fasteners Division and the Surface Treatment Division. The Group also registered an internal elimination of HK$5.8 million (S$1.2 million) (which has been deducted from the total revenue).

Fasteners Division

The Fasteners Division accounted for 88.9% of Group revenue (excluding internal elimination). Revenue increased by approximately 29.9% to HK$92.5 million (S$18.9 million) compared to HK$71.2 million (S$14.5 million) for the corresponding period in the previous year.

[1] S$1 – HK$4.9

Surface Treatment Division

The Surface Treatment Division also provided strong growth as it rose by 20.1% to HK$11.5 million (S$2.4 million) compared to HK$9.6 million (S$2.0 million) in FY2004/05. As the demand for our surface treatment products increased the proportion of revenue from this division has also improved and accounted for 11.1% of Group revenue, up from 8.9% (excluding internal elimination).

Geographic Results

The PRC and Hong Kong remained as the most important earning contributors for the Group. This region contributed 83.7% of Group revenue with turnover increasing by 24.4% to HK$82.1 million (S$16.8 million). This was boosted by the strong economic growth in Greater China and the maiden full year contribution from the production facility in Shanghai. The Yangtze River Delta region, which the Shanghai facility mainly serves, is a hub for multinational manufacturers that have relocated their production operations from the United States, Europe, Japan, Taiwan and Korea.

Turnover from Other Regions grew by 50.9% accounting for 12.4% of the Group's revenue, or HK$12.2 million (S$2.5 million) as the Group serviced more global customers. Revenue from the Southeast Asia region remained flat at HK$3.8 million (S$0.8 million). As a result, this sector accounted for only 3.9% of Group revenue and the change is mainly because of manufacturers relocating their operations to lower cost bases in the PRC.

Financing Growth

Finance costs increased during FY2005/06 as Superior Fastening's overall business volume and capacity expanded, especially at the new Shanghai factory. On the balance sheet, total assets have increased 40.6% from HK$91.5 million (S$18.7 million) to HK$128.6 million (S$26.2 million), whilst total liabilities have increased 37.8% to HK$60.1 (S$12.3 million).

Inventories increased sharply by HK$7.0 million (S$1.4 million) as the company has used planned forward purchasing as a hedging tool against raw material price increases and has had to cope with expansion and anticipated orders from existing customers. Prepayments also increased by HK$7.6 million (S$1.6 million) as deposits for new machinery were placed for heat treatment and electroplating production.

In order to continue to develop the growth strategies that the Group implemented in the last financial year,

In the last year Superior Fastening has managed to penetrate global customers and has signed Memorandum of Understanding agreements with major worldwide suppliers such as Intier Automotive and Bossard.

In May 2006 Superior Fastening began the heat treatment phase of production, on our state-of-the-art heat treatment lines in the Huizhou facility. This development should also contribute to our bottomline with access to higher revenue streams.

additional funding exercises have also taken place during FY2005/06.

In September 2005, a 5.4 million placement of new shares was completed raising approximately S$810,000 (HK$3.9 million). In November 2005 a renounceable rights issue of 43.8 million Warrants was completed on the basis of two Warrants for every five existing ordinary shares at an issue price of 3 Singapore cents each. This exercise raised approximately S$1.32 million (HK$6.5 million) by the end of March 2006. Warrant holders have a three year period, until December 2008, in which to convert the Warrants to ordinary shares at 11 Singapore cents each.

Forging Ahead

Looking ahead to the new financial year, we are optimistic about Superior Fastening's business prospects as Asia remains a fast-growing market especially for home consumer appliances, telecommunication and computing products, as well as automobiles.

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Our current Shanghai factory is based in leased premises. As part of our future plans, groundbreaking has already taken place to build new production facilities, based in the vicinity of the current factory, on long term leasehold land. Completion of Phase 1 is expected by the end of 2006. This phase includes the current fastener manufacturing and will add electroplating and heat treatment capabilities which are now only available in Huizhou. When Phase 1 is completed, Phase 2 will begin and expand production and add an employee dormitory and dining facility.

Having a marketing presence in various locations in Asia whilst having our manufacturing base in China helps us to remain close to our customers at all times and this is crucial for expanding our market reach. In the next 12 months, we plan to expand our business in the northern and eastern regions of China and we are beginning to plan for a presence in Thailand. Whilst the operating environment remains highly competitive and challenging, we will continue to closely monitor the market situation and take necessary measures at the appropriate time.

In view of the further improvements in contribution from our Shanghai operations and as a result of the MOU's and our expansion plans, we expect business activities to further increase in the near future and are hopeful that our revenue and profitability growth trend will continue over the next financial year.

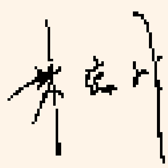
Appreciation of the Board

As we embrace the new financial year and the exciting opportunities and unique challenges that it will provide, I would like to thank all the stakeholders in our business for the support that they have provided in recent years and in anticipation of their future support in years to come. Our shareholders, our committed employees, our customers, our business associates and our suppliers, all have a vital role in the continued growth and development of Superior Fastening Technology.

Finally, I would like to express my appreciation to my fellow Directors for their advice and support which has been provided during the last twelve months. Their invaluable contribution has driven the Group forward to achieve the financial performance required to build on our strong growth momentum.

As we welcome Mr See Yen Tarn to our Board as an Independent Director, we have also said goodbye to Mr Goh Boon Huat and I would like to express my special thanks for his guidance during the Group's transition phase to becoming a listed company in Singapore.

The entire Superior Fastening team remains committed to its mission of being a world-class fastener manufacturer and I look forward to another year when we can achieve our aspirations.



Lam Tak Shing
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

敬爱的股东：

卓越科技有限公司在新加坡交易所上市邁進第三個年頭，回顾过去，這是极富挑战的一年；无论是原料、运输与其他成本，全年都一直上涨。同时，同业竞争依然非常激烈。尽管如此，集团在这一年仍然表现良好，在严格实施增长与发展策略下，持续取得利润，且在多方面有稳健成长。

上海子公司自2004年12月开始生产，今年的财政报告首次紀錄其全年業績。我们也按计划，在嘉定區兴建生产中心，齊備優質生產設備、檢測設備外，新廠设施包括表面处理设备与热处理设备，提供全面一站式服务，进一步加强我们作为制造高素质螺丝与緊固件生产商地位。上海的完备设施，是本集团为開拓中国长三角市场而设，该地区汽車制造业快速成长，我们相信開拓中国长三角市场將有利於集團持续发展。

為提升顾客满意度，我们提供综合与增值服务，以严格品质控制改进效率，并在价格、与落实更快的周转时间上增強竞争力，让雙方都获利。

财务表现与成长

截至2006年3月21日回顾年内，总收入增长26%，从7790万港元上升至9820万港元（分别约相等于1590万新元与2004万新元）。我们能取得这个业绩，反映顾客对螺丝与紧固件产品，以及表面处理服务的强劲需求。同时，我们全资拥有的子公司卓越科技（上海）有限公司，也第一次对业绩作出全年贡献。

集团努力实行的拓展策略，使总收入稳定增长，确保我们的财务表现保持上升势头。总收入的增加，使过去5年的复合年均增长率（CAGR）将近41%。

全年净利显著上涨31.7%至1136万港元（约230万新元），集团管理层对表现满意。虽然材料价格上涨、同业竞争加剧，毛利仍增长24.3%达3780万港元（约770万新元）。

配合我们的增长，集团也成功控制开销，毛利率保持在38.5%（前一年为39%）。销售成本上升27.1%，销售与分销开支上升26.8%，一般与行政开支则上升24%，这些数字与销售收入提高26%相符。

根据集团最新的全年业绩，截至2006年3月31日为止，每一普通股盈利（按发售的1亿710万普通股加权平均）从港币8.27分上升至港币10.61分，每股净资产则从港币45.96分上升至港币63.91分。

在这一财政年，有效税率从19.1%下调至10.3%，这是由于上海设施获得两年免税的缘故。这项免税优惠在2007年9月结束後，集团将获得三年的15%折扣税率优待（目前标准税率为27%，因此，这是个有意义的税务奖励）。

董事会指示在2005/06财政年不派發最终股息，因集团还在计划发展中，所有保留利润将支持集团的发展计划。不过，董事会已指示将检讨目前股息政策，并计划在2006/07财政年派发股息。

部门回顾

集团就两个部门：螺丝与緊固件部，及表面处理部作出报告。集团也记录了一项580万港元的内部淘汰（从总收入扣除）。

螺丝与緊固件

螺丝与緊固件部门占集团收入（不包括内部淘汰）88.9%。收入与前一年度的7120万港元比较，增加约29.9%至9250万港元。

表面处理

表面处理部门也有强劲增长，与2004/05财政年的960万港元比较，收入提高20.1%至1150万港元。部门所占集团收入比率也从8.9%（不包括内部淘汰）提高至11.1%。

地区业绩

分析地区市场显示，中国大陆与香港仍旧是集团最重要的收入来源地。这一区域的营业额提高24.4%至6600万港元（1430万新元），占集团收入83.7%。这良好业绩主要受大中华地区强劲经济增长带动，以及来自上海生产设施的第一个全年财务贡献。上海设施所服务的长江三角洲地区，是跨国制造商将生产操作从美国、欧洲、日本、台湾与韩国搬迁至中國的集中地。

随着环球顾客加增，其他地区的营业额亦增长50.9%至1220万港元，占集团收入12.4%。来自东南亚的收入不变，保持在380万港元,占集团收入3.9%，此区未見增長是因为制造商将生产操作迁至成本较低的中国。

融资增长

融资成本在2005/06财政年随着整体业务规模与产量扩张而升高，特别是新设立的上海工厂。在资产负债上，总资产提高了40.6%，从9150万港元提高至1亿2860万港元，而总负债则增加了37.8%至6010万港元。

[1] 1新元 = 4.9港元

库存显著上升700万港元，这是由于公司为应付现有顾客的预计订单与扩充需求，而使用计划中的远期购买作为应付原料价格上涨的对冲工具。另一方面，為订购热处理与电镀生产的新設備所付出的按金款项，使预先付款增加了760万港元。

在2005/06财政年，为持续发展集团上个财政年所实行的成长策略，进行了额外集资。

在2005年9月，我们完成了540万新股的配售，筹得约81万新元（390万港元）。在2005年11月，完成发出一项可放弃购股权的集资，发出总量4380万份认股权证，按每5股普通股派发2份认股权证，每份新加坡币3分。截至2006年3月，这次集资筹得约132万新元（650万港元）。认股权证拥有者可以在截至2008年12月的3年内，以每份11分的行使权价格，将认股权证转换成普通股。

迈向未来

展望2006/07，我们对卓越科技有限公司的业务感到乐观，尤其在家用产品、工業用具、电訊与电脑产品，以及汽车零部件方面。因为亚洲这个快速成长市场仍然保持增长势头。

去年，卓越科技有限公司达成渗透全球客户，并与遍布全球的主要供应商如英提尔汽车系统（Intier Automotive）和柏中（Bossard）签定谅解备忘录。

2006年的5月，卓越科技有限公司开始了在惠州工厂的热处理生产，这个尖端科技生产线预料能为集团赚取更高收入。

上海工厂目前设在租用厂房，然而新廠房已在興建當中。 新廠房座落嘉定區一块三萬平方米之长期租地上;第一阶段工程预计2006年年底竣工。这一阶段包括螺丝与緊固件制造，并表面处理设施。第一阶段竣工后，第二阶段将扩充生产线。

对我们而言，同时在亚洲多个地区拥有行销网络，并在中国设置厂房，使我们在任何时候都能更接近客户，对我们扩展业务是至关重要的。未来的一年，我们计划把业务扩展遍佈长江三角洲地区。在营运环境仍然充满挑战与竞争的同时，我们将继续密切留意市场状况，并在适当时候采取必要措施。

有鉴于上海厂能进一步提升集團业绩，谅解备忘录的成效，以及我们的扩展计划，我们预期业务将进一步增加，同时希望在下一个财政年度，我们的收入与利润保持增长势头。

董事会致谢

我们热忱展望全新的财政年，迎接更多令人振奋的机会与难得的挑战，我要感谢公司所有利益关系者，从过去多年到今天，以及预期来年也将继续给予我们的支持。我们的股东、尽心奉献的员工、我们的顾客、生意伙伴和供应商，全都在卓越科技有限公司的持续成长与发展上，扮演着重要的角色。

最后，我要向我的董事会成员致上谢意，感谢他们在过去一年里积极为公司的业务发展提出建议与支持。他们的宝贵意见推动集团向前迈进，使我们能达到所需的财务表现，建立强劲的成长动力。

我们也要欢迎 Mr See Yen Tarn (薛献凡先生)加入董事会作为一名独立董事，同时感谢卸任董事 Mr Goh Boon Huat (吳文發先生)的贡献，特别是他在集团成功上市前的过渡時期的领导。

卓越科技有限公司的全体同仁将继续履行集团的使命，成为一个世界级的螺丝与緊固件制造商。我谨此展望公司在未来一年，达成丰收目标。

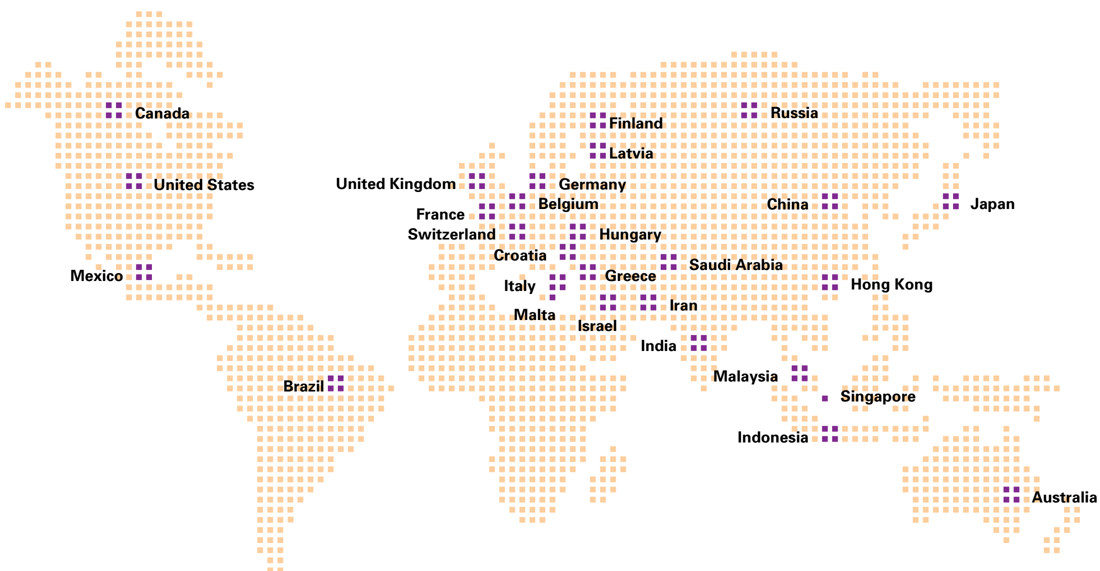
林德誠
主席及行政总裁

Superior Fastening is constantly engaging in new technologies and the fastener division is equipped with approximately 200 up-to-date cold-forming machines. We have invested millions of dollars in new heading and threading capabilities to upgrade our efficiency and increase our capacity. The current production capacity is around 500 million fasteners per month or 6 billion pieces per year.

The applications for fasteners are incredibly varied and encompass a wide range of consumer groups. Whilst fasteners are one of the most basic components in the majority of mechanical, electrical and electronic products, they are obviously vital and, of course, demand is continually growing, especially in line with the world's burgeoning economies such as those in Asia. Uses for these end-products spread across the entire range of end users in the household commercial and industrial sectors.

Underscoring our belief in engaging our customers through operational excellence and leading-edge technology, Superior Fastening Technology specialises in the manufacture of a wide range of high quality metallic fasteners with surface and heat treatment capabilities. Our fully integrated production facilities provide our customers with a one-stop manufacturing facility so that we are able to offer top-line quality management and control and even more competitive pricing for our products because everything is done in-house.

We now service and support a growing number of global customers, each whom have exacting demands and individual requirements for high quality products.

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Superior Fastening's range of products can be classified into three main categories:

Home and Commercial Consumer Appliances

This category includes audio and hi-fi products, LCD units including televisions, DVD players and heating and cooling devices.

Telecommunications and Information Technology

This is a very broad classification which includes telecommunications, computing, imaging and printing devices. Applications include such end-products as hand-phones, satellite radios, personal computers, handheld PDA's, personal and commercial printers and calculators.

Motor Products

An area of targeted growth for Superior Fastening that includes micro motors, power tools, integrated motor systems, auto-lamps and automotive equipment.

One Stop Product and Service Provider

Our Huizhou and Shanghai plants are modern, flexible workspaces which provide significant production capabilities; thus enabling us to manufacture high volumes with short lead times. Both facilities have adopted Total Quality Management and are ISO9001:2000 certified. The Shanghai factory has recently obtained the TS 16949 certification; a pre-requisite qualification to manufacture fasteners for the automotive industry.

The Group also has the capacity to manufacture complex multi-stage fasteners which require a high degree of precision engineering. Compliant with international standards such as ANSI, JIS and DIN (American, Japanese and German standards respectively), Superior Fastening Technology's manufacturing system is also linked to an Electronic Resource Planning system which ensures the efficient flow of information throughout the various stages of our manufacturing process.

Our product types include:
- Machine Screws
- Rivets & Nuts
- Self-Tapping Screws
- Washers
- Sems Screws
- Special Screws & Multi-Formed Shafts
- Hexagon Head & Socket Screws
- Patched Screws

Fasteners

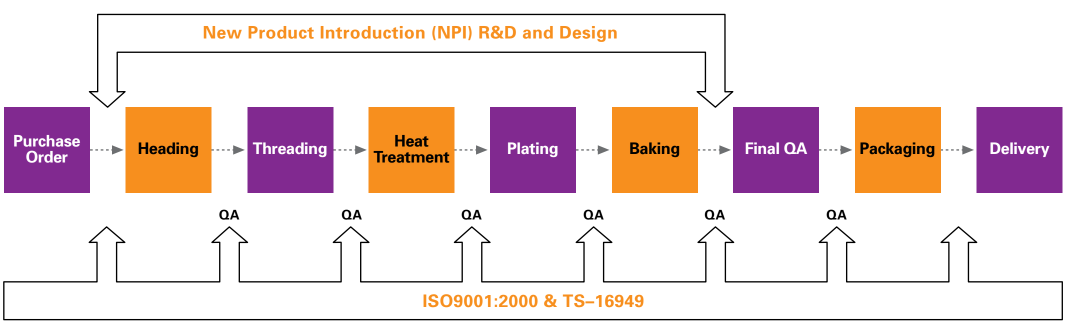
The fasteners are manufactured to customers' specifications in accordance with international standards and are differentiated by size, thread types, head types, drive insert types and material. We have the capability to produce fasteners ranging from M0.8 to M15 in diameter from customer-specified grades of carbon steel, stainless steel, copper and aluminium.

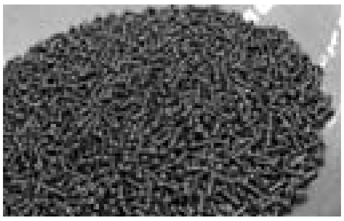
Superior Fastening is constantly engaging in new technologies and the fastener division is equipped with approximately 200 up-to-date cold-forming machines. We have invested millions of dollars in new heading and threading capabilities to upgrade our efficiency and increase our capacity. The current production capacity is around 500 million fasteners per month or 6 billion pieces per year.

Surface Treatment

Fasteners and metal parts need to undergo surface treatment in order to increase its resistance to corrosion. Depending on customers' specifications and requirements, our surface treatment capabilities

MANUFACTURING PROCESS





include electroplating which uses a variety of plating materials such as nickel, copper and chromate, as well as the environmentally-friendly and increasingly popular trivalent chromate plating technique. Our production complies with the strict European RoHS (2002/95/EC) directive on the use of hazardous substances.

The surface treatment capability is provided by over 40 electro-plating machines, in both production facilities, which are capable of 4,500 tonnes of plating per annum.

Heat Treatment

Our newly-acquired heat treatment facilities in the Huizhou plant enable Superior Fastening to be a truly integrated, one-stop manufacturer of quality fasteners for the global market, thus significantly increasing our turnaround time, quality and service provided to our customers. This is a distinct competitive advantage that differentiates us from most other manufacturers. When Phase 1 of the new Shanghai facility is completed, heat treatment will also be available.

Research and Development

This year we have been able to provide value-added services to our customers in the form of a Research and Development design and engineering team. Sharing this R&D capability with our customers requires a partnership approach between the manufacturer and the customer throughout the design stage of a New Production Introduction (NPI). Our aim is to ensure a better transition from the design stage through to the manufacturing stage of the NPI.

We are confident that this capability will give us the competitive edge to engage our customers at an earlier stage in the NPI process by jointly participating in the design of new fastener products. This will also complement the efforts of our sales and marketing team, which currently provides advice on the technical aspects of our products, in a more holistic approach to customer service.

"Quality is Everyone's Business"

At Superior Fastening Technology our motto, "Quality is Everyone's Business", and we have embraced Total Quality Management to achieve excellence in manufacturing and service.

Both of our production facilities conform to the internationally recognised ISO 9001:2000 and the Shanghai plant has TS16949 certification for the manufacture of automotive parts.

Having adopted TQM as an organisation, the attitude to quality pervades the entire corporate structure. This ensures that each employee is committed to comprehensive quality thinking and continuous improvement as we all strive together for the highest levels of quality throughout the business process.

Every step of the manufacturing process, from the receipt of raw materials right through to the delivery of the finished product, is monitored by our strict quality control procedures. This explains why rejection rates from our customers have consistantly been at very low levels.

Our current quality technology used in the manufacturing stage of the process includes optical sorting machines, which automatically sort fasteners to ensure that they conform to technical specifications, X-ray machines that check plating thickness, profile projectors that check measurement and micrometers and stereomicroscopes which are used in the visual checking process.

We are constantly appraising new technologies to ensure that our quality standards are compatible, and where possible exceed, the expectations of our global customer base.

Financial Highlights

	2005/06 (AUDITED) (HK$'M)	2004/05 (AUDITED) (HK$'M)	GROWTH (%)
Revenue	98.20	77.93	+ 26.0
Gross Profit	37.85	30.45	+ 24.3
EBITDA	20.8	15.5	+ 34.3
Profit before tax	12.67	10.66	+ 18.8
Net Profit after tax*	11.36	8.63	+ 31.7
EPS (HK$ cents)	10.61	8.27	+ 28.2

Key Financial Ratios

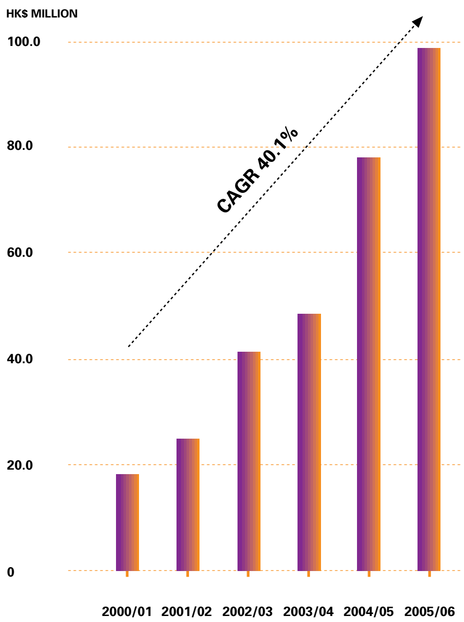
	FY2005/06	FY2004/05
Net Asset Value (HK$ cents)	63.91	45.96
ROE	16.6%	18.0%
Debt-to-Equity	87.85%	90.87%
Inventory Turnover*	36.7 Days	26.8 Days

* Includes wires rods – if wire rods are excluded the inventory turnover is 31.1days

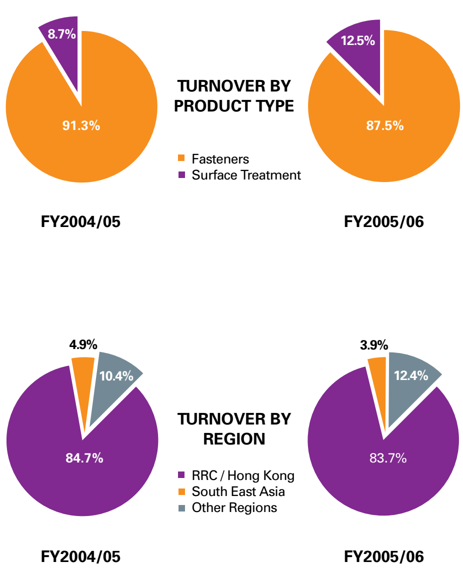
Balance Sheet Highlights

HK$'M	AS AT 31 MAR 06	AS AT 31 MAR 05
Total Assets	128.6	91.5
Total Liabilities	60.1	43.6
Total Shareholders Equity	68.4	47.9
Net Current Assets	14.0	10.0

Sales Revenue – 2000 to 2006



Segment Results



We are optimistic regarding growth in the consumer goods, computing, telecommunications and automobiles sectors in Asia and believe we are well equipped to capture growing markets.

Looking to the Future

Asia's economic growth prospects remain encouraging in many sectors and as we have mentioned, fasteners are basic and vital components for products in industrial, commercial and consumer markets.

MNC's and equipment manufacturers from North America and Europe continue to relocate operations to Asia, especially the PRC. Similar trends are emerging amongst Asian companies with evidence of relocation of major manufacturing bases from Japan, Taiwan and South Korea. The Japanese outsourcing market presents a potentially lucrative market with many Japanese owned EMS's in the PRC already, especially in the Yangtze River Delta area. Whilst we have made inroads into this sector during the past twelve months, we will persist with our efforts to expand our market share, directly and through our sales network in China.

Our strategy at Superior Fastening of being close to our markets and customers is paying off and it is our intention to improve our servicing of MNC customers moving to PRC and focus on growing capacity and sales operations in Northern & Eastern China and also Japan. We are optimistic regarding growth in the consumer goods, computing, telecommunications and automobiles sectors in Asia and believe we are well equipped to capture growing markets.

The Shanghai factory has made a breakthrough in the automotive industry by obtaining the TS16949 accreditation and we continue with our efforts to penetrate the mobile phone industry. Our heat treatment capability started in Huizhou in May 2006 and we have also signed a number MOUs within the last year with companies such as Bossard and Intier Automotive and we will aggressively pursue further opportunities in the coming months.

The Shanghai Project

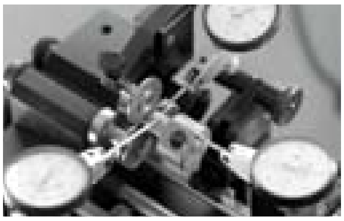
With the above actions in mind, the manufacturing facility in Shanghai began production in December 2004 operating, temporarily in leased premises. This plant has made its maiden full year contribution in our results this financial year.

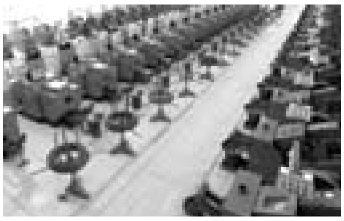
As part of our strategic plans, the Shanghai factory expansion project, built on 30,000 sq. metres of land secured on a long term lease, is currently underway and ground-breaking has already taken place. The project will be built in two phases with a Phase 1 target completion date before the end of 2006.

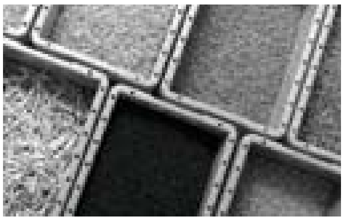
When Phase 1 is complete, the current capacity of the facility will be doubled. It will be equipped with state-of-the-art cold-forming machines, presently in operation at the leased site, and include the latest test, inspection and measuring equipment to ensure our stringent level of high quality. In addition we will be able to introduce in-house electroplating and heat treatment machines at this time.

Phase 2 of the project will commence at the beginning of 2007 and we plan to add a dormitory and dining facility for our valued employees, add to our current capacity and also include the scope to manufacture value added metal parts in addition to current product and service range.

With the completion of the Shanghai operations and the incorporation of all phases of the manufacturing process into both of our facilities, we can expect an improved contribution both in terms of revenue and profitability in the coming financial year.







LAM TAK SHING

TANG YUK FUNG

KWAN SUK YEE

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 in 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, 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 sucess of the Group.

Ms Kwan graduated from the Hong Kong School of Commerce with a Diploma in Secretarial Studies.

CHAN KAM FUK

TAN CHONG HUAT

SEE YEN TARN

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 is also a Non-executive Director of Swing Media Technology Group Limited, a company listed on the Mainboard of the Singapore Exchange and an Independent Non-executive Director of Hong Kong Stock Exchange listed Info Communication Holdings Limited.

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

Tan Chong Huat
INDEPENDENT DIRECTOR

Tan Chong Huat is our Independent Director and was appointed on 28 October 2003. Currently, Mr Tan is an equity partner of KhattarWong, a firm of advocates and solicitors. He had been an equity partner of a major Singapore law firm and a local partner of a leading international law firm. He was appointed the chief representative of the Beijing office of a Singapore joint Law Venture.

Mr Tan graduated with a degree in law from the National University of Singapore in 1989. He is an advocate and solicitor in Singapore, and a solicitor in England and Wales. He is also a Commissioner for Oaths. He is a member of the Singapore Institute of Arbitration, the Chartered Institute of Arbitrators and an accredited arbitrator with the China International Economic and Trade Arbitration Commission. He is a member of the Singapore Institute of Directors. He is also an elected council member of the Singapore Scout Association. Mr Tan is an ad-hoc lecturer for several post-graduate degree programs conducted by the Nanyang Technological University, Singapore. He has authored two leading literature on PRC investment laws. Mr Tan is also chairman of several corporate governance committees of public listed companies having operations in South East Asia, IndoChina, Hong Kong, PRC, South Korea, Philippines, Sri Lanka and India.

See Yen Tarn
INDEPENDENT DIRECTOR

Mr See Yen Tarn was appointed an Independent Director in December 2005. Mr See currently acts as a business advisor to a number of clients and holds Independent Director posts in three other companies listed on the SGX; Swing Media Technology Group Limited, China Great Land Holdings Limited and CSC Holdings Limited.

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

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

Ma Yiu Ho Peter
CHIEF FINANCIAL OFFICER

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

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

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

Chua Wah Moi
GROUP GENERAL MANAGER

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

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

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

Lam Tse Shing
OPERATIONS MANAGER

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

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

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 (the "Code") prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST").

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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 Goh Boon Huat (resigned with effect from 23 September 2005)
Mr Tan Chong Huat
Mr See Yen Tarn (appointed with effect from 2 December 2005)

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 nomination of Directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through Board Committees such as the Audit Committee, Nomination Committee and Remuneration Committee.

Matters which are specifically reserved to the full Board for decisions 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 will be 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 four meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:

NAME	BOARD		AUDIT COMMITTEE		NOMINATING COMMITTEE		REMUNERATION COMMITTEE	
	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Lam Tak Shing	4	3	–	–	1	1	1	1
Tang Yuk Fung	4	4	–	–	–	–	–	–
Kwan Suk Yee	4	4	–	–	–	–	–	–
Chan Kam Fuk	4	4	5	5	–	–	–	–
Goh Boon Huat*	2	2	3	3	1	1	1	1
Tan Chong Huat	4	4	5	5	1	1	1	1
See Yen Tarn**	1	1	1	1	N.A.	N.A.	N.A.	N.A.

* Resigned with effect from 23 September 2005
** Appointed with effect from 2 December 2005

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

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Group's business strategies and operations. The Directors will receive, from time to time, 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 will also be updated on the business of the Group through regular presentations and meetings.

Principle 2: Board Composition and Balance

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

The Board will constantly examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The composition of the Board will be reviewed on an annual basis by a Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience.

The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision making. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 18 and 19 of this annual report.

Principle 3: Chairman and Chief Executive Officer ("CEO")

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 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.

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.

Principle 6: Access to Information
To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process. The Board is provided with adequate and timely information prior to each Board meeting.

The Board has separate and independent access to senior management and the Company Secretaries at all times. The Company Secretaries administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that (i) Board procedures are followed and reviewed so that the Board functions effectively; and (ii) the Company's Bye-laws and relevant rules and regulations, including requirements of the Companies Act and 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.

BOARD COMMITTEES
Nominating Committee ("NC")
Principle 4: Board Membership
With effect from 26 May 2006, 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 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 of 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.

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.

BOARD COMMITTEES (Continued)
Nominating Committee ("NC") (Continued)
Principle 4: Board Membership (Continued)
All Directors, other than the Managing Director, are subject to the provisions of the Company's Bye-laws whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

The Directors retiring by rotation pursuant to Bye-laws 104 and 107(B) of the Company's Bye-laws at the forthcoming AGM are Ms Kwan Suk Yee and Mr See Yen Tarn respectively.

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.

Remuneration Committee ("RC")
Principle 7: Procedure for Developing Remuneration Policies
With effect from 26 May 2006, 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.

Principle 8: Level and Mix of Remuneration

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 31st March 2006 are as follows:

REMUNERATION BANDS	SALARY %	PERFORMANCE BONUS %	DIRECTORS' FEES %	OTHERS %	TOTAL %
DIRECTORS **Below S$250,000 (equivalent to approximately HK$1,150,000)**					
Lam Tak Shing	90	–	10	–	100
Tang Yuk Fung	90	–	10	–	100
Kwan Suk Yee	90	–	10	–	100
Chan Kam Fuk	–	–	100	–	100
Goh Boon Huat	–	–	100	–	100
Tan Chong Huat	–	–	100	–	100
See Yen Tarn	–	–	100	–	100
EXECUTIVE OFFICERS **Below S$250,000 (equivalent to approximately HK$1,150,000)**					
Ma Yiu Ho Peter	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. The remuneration of the Directors will be subject to the approval of the shareholders at the AGM.

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

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

The Company has a share option scheme known as the Superior Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company on 27th October 2003. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options have been granted under the ESOS during the year.

Audit Committee ("AC")
Principle 11: Audit Committee

With effect from 26 May 2006, the AC comprises Mr Tan Chong Huat, Mr Chan Kam Fuk and Mr See Yen Tarn and is chaired by Mr Tan Chong Huat. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

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

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

(b) reviewing the overall internal control system;

Audit Committee ("AC") (CONTINUED)

Principle 11: Audit Committee (Continued)

(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.

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

Principle 12: Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but 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 only provide reasonable and not absolute assurance against material misstatement or loss. The Board regularly reviews the effectiveness of all internal controls, including operational controls.

Principle 13: Internal Audit

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. Homan CPA Limited has been appointed as the Company's internal auditor for the purposes of reviewing the effectiveness of the Company's material internal controls.

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

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis.

Principles 14 and 15: Communication with Shareholders

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

COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

Principles 14 and 15: Communication with Shareholders (Continued)

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

(Listing Manual Rule 1207(8))

Save for the service agreements between the Executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer or any Directors or controlling shareholders subsisting as at and during the year ended 31st March 2006.

RISK MANAGEMENT

(Listing Manual Rule 1207(4)(d))

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

(Listing Manual Rule 710(2)(b))

The Company has adopted the SGX-ST Best Practices Guide 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 Best Practices Guide with some modifications.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907)

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

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

BEST PRACTICES GUIDE

The Company has complied with the Best Practices Guide issued by the SGX-ST.

Financial Statements

The directors are pleased to present their annual report to the members together with the audited consolidated financial statements of Superior Fastening Technology Limited (the "Company") and its subsidiaries (together with the Company hereinafter as the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's segmental information by business and geographical segments for the year ended 31 March 2006 is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 36 of this annual report. The directors do not recommend the payment of a dividend.

RESERVES AND RETAINED EARNINGS

Movements in the Group's reserves and retained earnings are set out in the consolidated statement of changes in shareholders' equity on page 37 of this annual report. As at 31 March 2006, the Company's accumulated loss amounted to approximately HK$7,934,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired plant and machinery of approximately HK$12,462,000 to expand its production capacity.

Other movements in property, plant and equipment of the Group are set out in note 6 to the financial statements.

SUBSIDIARIES

The principal activities and particulars of the Company's subsidiaries as at 31 March 2006 are set out in note 7 to the financial statements.

BORROWINGS

Particulars of borrowings as at 31 March 2006 are set out in notes 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 11 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

SHARE OPTIONS

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 Lam Tak Shing, Mr Goh Boon Huat 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 Group on the day preceding the date of the relevant grant. The number of options to be granted to the eligible participants, exercise price, exercise period and the timing of such grant are to be determined at the absolute discretion of the Remuneration Committee.

As at and during the year ended 31 March 2006, the Company had not granted any share option to the eligible participants.

PRE-EMPTIVE RIGHTS

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

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 March 2006, the five largest suppliers of the Group accounted for approximately 27.9% (2006: 26.9%) of the Group's total purchases while the five largest customers of the Group accounted for approximately 27.6% (2006: 29.1%) of the Group's total sales.

BAD AND DOUBTFUL DEBTS

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

DIRECTORS

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

Mr Lam Tak Shing	Chief executive officer
Mr Tang Yuk Fung	Executive director
Ms Kwan Suk Yee	Executive director
Mr Chan Kam Fuk	Independent non-executive director
Mr Goh Boon Huat	Independent non-executive director (resigned on 23 September 2005)
Mr Tan Chong Huat	Independent non-executive director
Mr See Yen Tarn	Independent non-executive director (appointed on 2 December 2005)

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

DIRECTORS' SERVICE CONTRACTS

The Company entered into separate service agreements ("Service Agreements") with Mr Lam Tak Shing, Mr Tang Yuk Fung and Ms Kwan Suk Yee for an initial period of three years commencing from 1 December 2003. The Service Agreements shall be renewable automatically for successive terms of one year each unless terminated by not less than six months notice in writing, served by either party, following the expiration of the end of the initial period or at any time thereafter. Apart from the foregoing, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

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

	SHAREHOLDINGS REGISTERED IN THE NAME OF DIRECTOR		SHAREHOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST	
NAME OF DIRECTOR	AS AT 31 MARCH 2006 ORDINARY SHARE OF HK$0.17 EACH NUMBER OF SHARES	AS 1 APRIL 2005 ORDINARY SHARE OF US$1.00 EACH NUMBER OF SHARES	AS AT 31 MARCH 2006 ORDINARY SHARE OF HK$0.17 EACH NUMBER OF SHARES	AS 1 APRIL 2005 ORDINARY SHARE OF US$1.00 EACH NUMBER OF SHARES
Mr Lam Tak Shing[1]	–	–	74,221,200	74,221,200
Mr Tang Yuk Fung[1]	–	–	68,221,200	68,221,200
Ms Kwan Suk Yee[1]	6,000,000	6,000,000	68,221,200	68,221,200

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

The Directors' interests in the shares and options of the Company at 21 April 2006 were the same at 31 March 2006.

Other than disclosed above, none of the executive directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as at 31 March 2006.

No share options have been granted to or held by any of the directors as at and during the year ended 31 March 2006.

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

CORPORATE GOVERNANCE

Details of the report on corporate governance are set on pages 21 to 27 of this annual report.

AUDIT COMMITTEE

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

AUDITORS

HLB Hodgson Impey Cheng were appointed as auditors of the company on 29 July 2005 to fill the vacancy created by the resignation of PricewaterhouseCoopers Hong Kong on 29 July 2005. The auditors, HLB Hodgson Impey Cheng, have expressed their willingness to accept reappointment as auditors.

On behalf of the Board

Lam Tak Shing
CHIEF EXECUTIVE OFFICER

HONG KONG
30 JUNE 2006

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

(i) the accompanying consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group and balance sheet of the Company; together with the notes thereon as set out on pages 39 to 61, are drawn up in accordance with, and comply with the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the results of the business, changes in equity and cash flows of the Group, and the changes in equity of the Company for the financial year ended; and

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

The board of directors authorised these financial statements for issue on 30 June 2006.

On behalf of the Board

Lam Tak Shing
DIRECTOR

Kwan Suk Yee
DIRECTOR

30 JUNE 2006

Auditors' Report

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

HLB 國衛會計師事務所 Hodgson Impey Cheng

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

We have audited the financial statements of Superior Fastening Technology Limited on pages 34 to 61 which have been prepared in accordance with the International Financial Reporting Standards.

These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Company's directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 March 2006 and of the profit and cash flows of the Group for the year then ended.

HLB Hodgson Impey Cheng
CHARTERED ACCOUNTANTS
CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG
30 JUNE 2006

Consolidated Balance Sheet

at 31 March 2006

	NOTE	2006 HK$'000	2005 HK$'000
ASSETS			
Non-Current Assets			
Bank deposits	5	1,000	1,000
Property, plant and equipment	6	58,326	40,763
		59,326	41,763
Current Assets			
Cash and bank balances		14,907	11,043
Inventories	8	13,381	6,364
Trade receivables	9	30,157	28,931
Prepayments, deposits and other receivables	10	10,792	3,394
		69,237	49,732
Total Assets		128,563	91,495
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	18,727	17,731
Reserves	12	49,712	30,205
Total equity		68,439	47,936
LIABILITIES			
Non-current liabilities			
Long-term bank loans	13	3,909	3,385
Obligations under finance leases			
– due after one year	14	478	376
Deferred tax liabilities	15	368	108
		4,755	3,869
Current liabilities			
Bank overdraft	13	3,434	1,635
Trade and bills payables		30,708	18,765
Deposit other payables and accruals	16	11,797	11,491
Current portion of long-term bank loans	13	5,220	4,376
Obligations under finance leases			
– due within one year	14	777	1,731
Taxation payable		3,433	1,692
		55,369	39,690
Total Liabilities		60,124	43,559
Total Equity and Liabilities		128,563	91,495
Net Current Assets		13,868	10,042
Total Assets Less Current Liabilities		73,194	51,805

All of the Company's operations are classed as continuing.
The accompanying notes on pages 39 to 61 are an integral part of these consolidated financial statements.

Balance Sheet

at 31 March 2006

	NOTE	2006 HK$'000	2005 HK$'000
ASSETS			
Non-Current Assets			
Investments in subsidiaries	7	13,480	13,480
Current Assets			
Cash and bank balances		606	1
Prepayments, deposits and other receivables	10	260	65
Due from subsidiaries - trade	7	20,397	20,243
		21,263	20,309
Total Assets		34,743	33,789
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	18,727	17,731
Reserves	12	13,382	13,569
Total equity		32,109	31,300
LIABILITIES			
Current Liabilities			
Other payables and accruals	16	2,256	997
Taxation payable		58	58
Due to subsidiaries – trade	7	320	1,434
		2,634	2,489
Total Equity and Liabilities		34,743	33,789
Net Current Assets		18,629	17,820
Total Assets Less Current Liabilities		32,109	31,300

All of the Company's operations are classed as continuing.
The accompanying notes on pages 39 to 61 are an integral part of these consolidated financial statements.

	NOTE	2006 HK$'000	2005 HK$'000
Revenue	17	98,197	77,930
Cost of goods sold		(60,347)	(47,484)
Gross profit		37,850	30,446
Other revenue	17	411	17
Selling and distribution expenses		(5,087)	(4,013)
General and administrative expenses		(18,553)	(14,962)
Profit from operating activities	18	14,621	11,488
Finance costs, net	19	(1,955)	(825)
Profit before taxation		12,666	10,663
Taxation	21	(1,306)	(2,037)
Net profit after taxation attributable to equity holders of the Company		11,360	8,626
Earnings per share for profit attributable to the equity holders of the Company			
– basic	23	HK$10.61 cents	HK$8.27 cents
– diluted	23	HK$10.12 cents	N/A

All of the Company's operations are classed as continuing.
The accompanying notes on pages 39 to 61 are an integral part of these consolidated financial statements.

	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	TOTAL HK$'000
Balance as at 1 April 2004	17,731	13,297	153	–	–	8,129	39,310
Net profit for the year	–	–	–	–	–	8,626	8,626
Balance as at 31 March 2005 and 1 April 2005	17,731	13,297	153	–	–	16,755	47,936
Issuance of shares (note 11(a))	918	2,808	–	–	–	–	3,726
Share issue expenses	–	(117)	–	–	–	–	(117)
Exchange realignments	–	–	–	400	–	–	400
Issue of warrants (note 11(b))	–	–	–	–	6,055	–	6,055
Conversation of warrants into shares	78	208	–	–	(52)	–	234
Expenses on issue of warrants	–	–	–	–	(1,155)	–	(1,155)
Net profit for the year	–	–	–	–	–	11,360	11,360
Balance as at 31 March 2006	18,727	16,196	153	400	4,848	28,115	68,439

The accompanying notes on pages 39 to 61 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 March 2006

	2006 HK$'000	2005 HK$'000
Cash flows from operating activities		
Profit before taxation	12,666	10,663
Adjustments for:		
Interest income	(40)	(17)
Finance costs	2,049	837
(Gain)/loss on sale of property, plant and equipment	(34)	60
Depreciation	6,169	3,982
Provision for impairment loss on inventory obsolescence	91	–
Provision for impairment loss on trade receivables	204	–
Operating profit before changes in working capital	21,105	15,525
Increase in inventories	(7,108)	(1,289)
Increase in trade receivables	(1,430)	(13,941)
Increase in prepayments, deposits and other receivables	(7,398)	(647)
Increase in trade and bills payable	11,943	11,339
Increase in other payables and accruals	306	2,935
Cash generated from operations activities	17,418	13,922
Interest paid	(2,049)	(837)
Income tax paid	(695)	(1,796)
Net cash generated from operating activities	14,674	11,289
Cash flows from investing activities		
Purchases of property, plant and equipment	(20,784)	(19,324)
Proceeds from sale of property, plant and equipment	305	367
Increase in bank deposit maturing beyond one year	–	(1,000)
Interest received	40	17
Increase in amounts due from directors	–	(1,110)
Repayments of amounts due from directors	–	875
Increase in amounts due from related parties	–	(1,208)
Net cash used in investing activities	(20,439)	(21,383)
Cash flows from financing activities		
Proceeds from issue of ordinary shares to subscribers of the Company, net of expenses	3,609	–
Proceeds from issue of warrants, net of expenses	4,900	–
Proceeds from drawdown of bank loans	7,485	9,282
Repayments of bank loans	(6,117)	(3,526)
Finance lease principal payments	(2,047)	(2,727)
Advances from directors	–	13,451
Repayments of advances from directors	–	(7,985)
Net cash generated from financing activities	7,830	8,495
Net increase/(decrease) in cash and cash equivalents	2,065	(1,599)
Cash and cash equivalents at the beginning of the year	9,408	11,007
Cash and cash equivalents at the end of the year	11,473	9,408
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	14,907	11,043
Bank overdraft, secured	(3,434)	(1,635)
	11,473	9,408

The accompanying notes on pages 39 to 61 are an integral part of these consolidated financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Superior Fastening Technology Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda on 12 March 2003 as an exempted company with limited liability. The address of its registered office is Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

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

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

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. CHANGE IN ACCOUNTING POLICIES

Adoption of new and revised IFRSs

In preparing these financial statements in conformity with IFRSs, the Group adopted all of the applicable new and revised International Financial Reporting Standards ("IFRSs") that are mandatory for financial years beginning on and after 1 January 2005.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Asset
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payments
IFRS 3	Business Combinations

The adoption of the above IASs/IFRSs did not result in substantial changes to the Group's accounting policies except for IFRS 2.

Previously, the provision of share options to employees did not result in any charge in the income statement. On adoption of IFRS 2 an expense is recognised in the income statement for share options issued with a corresponding increase in the share option reserve. This change was effected retrospectively for share options issued after 7 November 2002 and not yet vested by 1 January 2005.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised IFRSs (Continued)

IASs/IFRSs and IFRICs not yet effective

The Group has not applied the following IASs/IFRSs and IFRICs that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to IFRS 6
IFRS 4	Insurance Contracts – Amendment for financial guarantee contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IAS 1 (Revised)	Presentation of Financial Statements – Added disclosures about an entity's capital
IAS 19 (Revised)	Employee Benefits
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS2
IFRIC 9	Reassessment of Embedded Derivatives

The directors do not anticipate that the adoptions of other IASs/IFRSs and IFRICs in future periods will have a material impact on the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The consolidated financial statements of Superior Fastening Technology Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise related Interpretations ("IFRIC") issued by the international Accounting Standard Boards ("IASB"). The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except otherwise indicated.

Significant accounting estimates and judgments

When preparing the consolidated financial statements, management has adopted certain accounting, valuation and consolidation methods to comply with IFRSs. The preparation of these consolidated financial statements also requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are described below:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

The critical accounting estimates and assumptions used and areas involving a high degree of judgments are described below:

Critical judgments in applying accounting policies

(i) Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis or diminishing balance method over their estimated useful lives. Management estimates the useful lives of these assets to be 3 to 20 years. The carrying amount of the Group's property, plant and equipment at 31 March 2006 was HK$58,326,000 (2005: HK$40,763,000). As changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised.

(ii) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment 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. 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.

(iii) Trade debtors

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company its subsidiary company made up to the end of the financial year. All significant intercompany transactions and resulting unrealized profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or in which control ceases, respectively.

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

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (Continued)

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the income statement on the date of acquisition.

Where accounting policies of a subsidiary do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

(c) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting right. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation.

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

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

The asset's residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (note 3(e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(f) 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 comprise 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.

(g) Trade receivables

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

(h) 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.

(i) 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 transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Deferred income taxes

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability 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, except 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 assets 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 assets 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 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, 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.

(l) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue Recognition

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

(i) Sales of goods

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

(ii) Sales of services

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

(iii) Interest income

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

(n) Leases

(i) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets properties acquired under finance leases are depreciated over the shorter of the useful lives of the asset or the lease term.

(ii) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(o) 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. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(o) Foreign currency translation (Continued)

(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.

(p) 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.

(q) 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.

4. SEGMENT INFORMATION

Primary reporting format – Business segments

At 31 March 2006, 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 2006 are as follows:

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

4. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – Business segments (Continued)

	RESULTS BY BUSINESS SEGMENTS 2005			
	FASTENERS HK$'000	SURFACE TREATMENT HK$'000	ELIMINATION HK$'000	TOTAL HK$'000
External sales	71,157	6,773	–	77,930
Inter-segment sales	–	2,833	(2,833)	–
Total revenue	71,157	9,606	(2,833)	77,930
Segment results	13,891	1,621	–	15,512
Unallocated expenses				(4,024)
Operating profit				11,488
Finance costs, net				(825)
Profit before income tax				10,663
Income tax expense				(2,037)
Net profit for the year				8,626
Segment assets	82,890	7,948	–	90,838
Unallocated assets				657
Total assets				91,495
Segment liabilities	32,485	4,798	–	37,283
Unallocated liabilities				6,276
Total liabilities				43,559
Other information:				
Capital expenditure	22,124	516	–	22,640
Depreciation	3,456	445	–	3,901
Unallocated				81
				3,982

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.

	2006			2005		
	SALES HK$'000	TOTAL ASSETS HK$'000	CAPITAL EXPENDITURE HK$'000	SALES HK$'000	TOTAL ASSETS HK$'000	CAPITAL EXPENDITURE HK$'000
HK and the PRC	82,133	125,244	23,849	66,000	88,176	22,602
South East Asia	3,847	1,848	153	3,836	1,848	38
Other regions	12,217	1,471	–	8,094	1,471	–
	98,197	128,563	24,002	77,930	91,495	22,640

5. BANK DEPOSITS

The bank deposits bear interest at 1.85% per annum and will mature in November 2007.

6. 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	CONSTRUCTION-IN-PROGRESS HK$'000	TOTAL HK$'000
Cost:								
At 1 April 2004	7,662	15,958	1,312	1,865	754	–	180	27,731
Additions	4,267	13,943	702	82	185	1,996	1,465	22,640
Transfer	180	–	–	–	–	–	(180)	–
Written back on disposal	–	(495)	(75)	–	–	–	–	(570)
At 31 March 2005 and 1 April 2005	12,109	29,406	1,939	1,947	939	1,996	1,465	49,801
Additions	5,426	12,462	103	783	177	5,051	–	24,002
Transfer	1,465	–	–	–	–	–	(1,465)	–
Written back on disposal	–	–	–	(720)	(3)	–	–	(723)
At 31 March 2006	19,000	41,868	2,042	2,010	1,113	7,047	–	73,080
Accumulated Depreciation:								
At 1 April 2004	1,295	2,632	382	573	317	–	–	5,199
Charge for the year	814	2,108	281	269	212	298	–	3,982
Written back on disposal	–	(124)	(19)	–	–	–	–	(143)
At 31 March 2005 and 1 April 2005	2,109	4,616	644	842	529	298	–	9,038
Charge for the year	1,093	3,179	214	318	136	1,229	–	6,169
Written back on disposal	–	–	–	(450)	(3)	–	–	(453)
As at 31 March 2006	3,202	7,795	858	710	662	1,527	–	14,754
At 31 March 2006	15,798	34,073	1,184	1,300	451	5,520	–	58,326
At 31 March 2005	10,000	24,790	1,295	1,105	410	1,698	1,465	40,763

Note:
The cost, accumulated depreciation and net book value of property, plant and equipment of the Group as at 31 March 2006 included assets held under finance leases of approximately HK$5,525,000, HK$1,237,000 and HK$4,288,000 (2005: HK$6,562,000, HK$1,978,000 and HK$4,584,000) respectively.

In addition, certain plant and machinery of the Group with an aggregate net book value of approximately HK$12,570,000 (2005: HK$7,718,000) were pledged to secure the bank loan facilities granted by certain financial institutions (note 26).

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2006 HK$'000	2005 HK$'000
Unlisted investments, at cost	13,480	13,480
Amounts due from subsidiaries	28,097	20,243
Less: Provision for impairment loss on amount due from a subsidiary	(7,700)	–
	20,397	20,243

The balances with subsidiaries are unsecured, interest free and have no fixed terms of repayment.

As at 31 March 2006, the Company had equity interests in the following subsidiaries:

NAME OF SUBSIDIARIES	PRINCIPAL ACTIVITIES	DATE AND COUNTRY OF INCORPORATION	ISSUED AND FULLY PAID-IN CAPITAL	PERCENTAGE OF EQUITY INTEREST HELD
Billion East Limited [1]	Investment holding	13 March 2003 (the British Virgin Islands)	US$2	100%
Chain Dragon Asia Limited ("Chain Dragon")	Investment holding	15 October 1996 (Hong Kong)	HK$2	100%
Evermore Overseas Limited.[1]	Investment holding	12 July 2005 (the British Virgin Islands)	US$1	100%
Genstar Holdings Limited [1]	Investment holding	6 March 2003 (the British Virgin Islands)	US$2	100%
Max Gold Ltd. [1]	Investment holding	2 January 2004 (the British Virgin Islands)	US$1	100%
Newsky Global Limited [1]	Investment holding	6 March 2003 (the British Virgin Islands)	US$2	100%
Silver Star Electro-Plating Co., Limited ("Silver Star")	Provision of surface treatment services	7 February 1995 (Hong Kong)	HK$2	100%
Sportmax Ltd. [1]	Investment holding	13 March 2003 (the British Virgin Islands)	US$2	100%
Superior Fastening (Shanghai) Ltd. ("Superior Shanghai")	Manufacturing of fasteners	19 March 2004 (the PRC)	HK$11,517,218	100%
Superior Fasteners (S) Pte Ltd. [2]	Trading of fasteners	22 July 2003 (Singapore)	S$2	100%
Superior Metal Hardware Products (Huizhou) Ltd. ("Superior Metal")	Manufacturing and trading of fasteners	15 August 2003 (the PRC)	HK$3,000,000	100%

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

NAME OF SUBSIDIARIES	PRINCIPAL ACTIVITIES	DATE AND COUNTRY OF INCORPORATION	ISSUED AND FULLY PAID-IN CAPITAL	PERCENTAGE OF EQUITY INTEREST HELD
Superior Screws (Huizhou) Industry Company Limited ("Superior Huizhou")	Manufacturing and trading of fasteners	20 June 2000 (the PRC)	HK$7,000,000	100%
Superior Screws Manufacturers Limited ("Superior HK")	Manufacturing and trading of fasteners	3 March 1999 (Hong Kong)	HK$2	100%

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

8. INVENTORIES

	GROUP	
	2006 HK$'000	2005 HK$'000
Raw materials	3,164	1,007
Work in progress	1,944	953
Finished goods	8,273	4,404
	13,381	6,364

As at 31 March 2006, inventories of approximately HK$1,247,000 (HK$519,000) were stated at net realisable value.

9. TRADE RECEIVABLES

	GROUP	
	2006 HK$'000	2005 HK$'000
Trade receivables	30,361	28,931
Less: Provision for impairment loss of trade receivables	(204)	–
	30,157	28,931

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

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Other receivables	916	273	–	–
Deposits for rental, utility, property, plant and equipment	7,654	2,915	–	–
Prepayments	2,222	206	260	65
	10,792	3,394	260	65

11. SHARE CAPITAL

During the year ended 31 March 2005, there was no movement in the share capital. For the year ended 31 March 2006, details of the share capital of the Company are as follows:

	NOTE	NUMBER OF SHARES '000	AMOUNT HK$'000
Authorised:			
At 31 March 2005 and 2006			
Ordinary shares of HK$0.17 each		588,235	100,000
Issued and fully paid:			
At 1 April 2005, ordinary shares of HK$0.17 each		104,300	17,731
Issuance of shares	(a)	5,400	918
Conversion of warrants into shares	(b)	462	78
At 31 March 2006, ordinary shares of HK$0.17 each		110,162	18,727

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

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

12. RESERVES

Group

	SHARE PREMIUM HK$'000	STATUTORY FUND RESERVES HK$'000	EXCHANGE RESERVES HK$'000	WARRANT RESERVES HK$'000	RETAINED EARNINGS HK$'000	TOTAL HK$'000
Balance as at 1 April 2004	13,297	153	–	–	8,129	21,579
Net profit	–	–	–	–	8,626	8,626
Balance as at 31 March 2005	13,297	153	–	–	16,755	30,205
Issuance of shares (note 11(a))	2,808	–	–	–	–	2,808
Share issue expenses	(117)	–	–	–	–	(117)
Exchange realignments	–	–	400	–	–	400
Issue of warrants (note 11(b))	–	–	–	6,055	–	6,055
Conversion of warrants into shares	208	–	–	(52)	–	156
Expenses on issue of warrants	–	–	–	(1,155)	–	(1,155)
Net profit for the year	–	–	–	–	11,360	11,360
Balance as at 31 March 2006	16,196	153	400	4,848	28,115	49,712

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

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

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

During the year ended 31 March 2005 and 2006, No transfer of profit to both statutory fund reserves and staff and workers' bonus and welfare fund.

Company

	SHARE PREMIUM HK$'000	WARRANT RESERVES HK$'000	(ACCUMULATED LOSS)/ RETAINED EARNINGS HK$'000	TOTAL HK$'000
Balance as at 1 April 2004	13,297	–	(108)	13,189
Net profit for the year	–	–	380	380
Balance as at 31 March 2005	13,297	–	272	13,569
Issuance of shares	2,808	–	–	2,808
Share issue expenses	(117)	–	–	(117)
Issue of warrants	–	6,055	–	6,055
Expenses on issue of warrants	–	(1,155)	–	(1,155)
Conversion of warrants into shares	208	(52)	–	156
Net profit/(loss) for the year	–	–	(7,934)	(7,934)
Balance as at 31 March 2006	16,196	4,848	(7,662)	13,382

13. BANK BORROWINGS

	GROUP 2006 HK$'000	GROUP 2005 HK$'000
Non-current		
Long-term bank loans (repayable later than 1 year and not later than 5 years)	3,909	3,385
Current		
Bank overdrafts	3,434	1,635
Current portion of long-term bank loans	5,220	4,376
Total bank borrowings	12,563	9,396

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

	2006	2005
Bank overdrafts	6.5%	6.8%
Bank loans	7.76%	5.1%

The bank loans and overdrafts are secured by:

(a) Several personal guarantees provided by certain directors; and
(b) Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$12,570,000 (2005: HK$7,718,000) (note 6).

14. OBLIGATIONS UNDER FINANCE LEASES

	GROUP 2006 HK$'000	GROUP 2005 HK$'000
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	840	1,856
Later than 1 year and not later than 5 years	540	401
	1,380	2,257
Future finance charges on finance leases	(125)	(150)
Present value of finance lease liabilities	1,255	2,107
The present value of finance lease liabilities is as follows:		
Not later than 1 year	777	1,731
Later than 1 year and not later than 5 years	478	376
	1,255	2,107

The effective interest rate at the balance sheet date was 3.1% (2005: 3.5%) per annum.

15. DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2005: 17.5%).

The movement on the deferred tax liabilities is as follows:

	GROUP	
	2006 HK$'000	2005 HK$'000
At 1 April 2005	108	481
Income statement charge/(credit) (note 23)	260	(373)
At 31 March 2006	368	108

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	GROUP	
	2006 HK$'000	2005 HK$'000
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	368	108
- Deferred tax liability to be recovered within 12 months	–	–
	368	108

16. DEPOSIT, OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2006 HK$'000	2005 RESTATED HK$'000	2006 HK$'000	2005 HK$'000
Other payables	99	84	498	–
Accrued salaries	1,736	1,085	1,104	690
Accrued professional fees	498	617	450	251
Accrued operating expenses	3,256	3,276	–	56
Trade deposit received	892	453	204	–
Other accruals	1,878	3,095	–	–
Business tax payable	3,438	2,881	–	–
	11,797	11,491	2,256	997

Note:
Business tax payable represents PRC business tax rate of 5% (2005: 5%) on the turnover a subsidiary.

17. REVENUE AND OTHER REVENUE

Analysis of the Group's sales is as follows:

	2006 HK$'000	2005 HK$'000
Revenue		
Sales of fasteners net of VAT	92,476	71,157
Surface treatment service income	5,721	6,773
	98,197	77,930
Other revenue		
Interest income	40	17
Disposal income	34	–
Sundry income	337	–
	411	17

18. PROFIT FROM OPERATING ACTIVITIES

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

	2006 HK$'000	2005 HK$'000
Cost of inventories sold	60,347	47,484
Employee benefit expense (including directors' emoluments) (note 20)	8,774	12,668
Depreciation of property, plant and equipment	6,169	3,982
Operating lease rental on property	1,132	2,087
Auditors' remuneration	450	780
Repairs and maintenance expense on property, plant and machinery	502	928
(Gain)/loss on sale of property, plant and equipment	(34)	60
Impairment/ (reversal of) loss on obsolescence of inventories	91	(241)
Provision for impairment loss of trade receivables	204	–

19. FINANCE COSTS, NET

	2006 HK$'000	2005 HK$'000
Interest on bank advance and other borrowing wholly repayable within five years	469	209
Interest on other loans	280	200
Finance charges on obligations under finance lease	275	198
Interest on bills payable	1,025	230
	2,049	837
Net foreign exchange transaction gain	(94)	(12)
	1,955	825

20. EMPLOYEE BENEFIT EXPENSE

	2006 HK$'000	2005 HK$'000
Wages and salaries	8,632	12,400
Pension costs – defined contribution plans	142	268
	8,774	12,668
Number of full-time employees at end of the year	500	407

21. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

The Group – for the year ended 31 March 2006

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

The Group – for the year ended 31 March 2005

	HONG KONG		THE PRC		SINGAPORE		TOTAL	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation	23,900	–	(13,199)	–	(38)	–	10,663	
Tax at the statutory tax rate	4,182	17.5	(3,168)	(24.0)	(8)	(21.0)	1,006	9.5
Tax exemption	–	–	2,009	15.2	–	–	2,009	18.9
Over/ under-provision in previous year	(105)	(0.4)	–	–	–	–	(105)	(1.0)
Utilisation of previously unrecognised tax assets	(19)	(0.1)	–	–	–	–	(19)	(0.2)
Expenses not deductible for tax	790	3.3	2,007	15.2	36	94.7	2,833	26.6
Tax effect on income not taxable	(3,636)	(15.2)	(43)	(0.3)	(8)	(21.0)	(3,687)	(34.7)
Tax charge for year	1,212	5.1	805	6.1	20	52.67	2,037	19.1

(a) Hong Kong profits tax has been provided for the Company and subsidiaries incorporated in Hong Kong at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

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

The first profit making year for Superior Huizhou occurred in the calendar year ended 31 December 2001 after offsetting the accumulated tax losses carried forward. Hence, Superior Huizhou enjoyed a 50% reduction of the EIT rate from 1 January 2003. Superior Metal was incorporated in August 2003 and was exempted from 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 PRC EIT tax for the current year.

22. DIRECTORS' EMOLUMENTS

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

	2006 HK$'000	2005 HK$'000
Fees	690	726
Other emoluments	2,477	2,496
Pension costs – defined contribution plans	24	24
	3,191	3,246

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

	NUMBER OF DIRECTORS	
	2006	2005
Executive directors – Nil to S$249,000 (equivalent to approximately HK$1,150,000)	3	3
Non-executive and Independent directors – Nil to S$249,000 (equivalent to approximately HK$1,150,000)	3	3

23. EARNINGS PER SHARE

Basic

Earnings per share is calculated by dividing the Group's net profit for the year of HK$11,360,000 (2005: HK$8,626,000) by the weighted average of 107,093,135 (2005: 104,296,200 as corrected) ordinary shares issued during the year.

Diluted

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

	2006 HK$'000	2005 HK$'000
Profit attributable to shareholders	11,360	8,626

	NUMBER OF SHARES	
	'000	'000
Weighted average number of ordinary shares in issue	107,093	104,296
Incremental shares from exercise of warrants	5,168	–
Diluted weighted average number of shares	112,261	104,296
Basic earning per ordinary share	HK$10.61 cents	HK$8.27 cents
Diluted earning per ordinary share	HK$10.12 cents	N/A

24. COMMITMENTS

(a) Capital commitments

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

	2006 HK$'000	2005 HK$'000
Contracted but not provided for	5,019	6,698
Authorised but not contracted for	3,978	20,944
	8,997	27,642

(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:

	2006 HK$'000	2005 HK$'000
Not later than 1 year	569	1,080
Later than 1 year and not later than 5 years	1,829	1,930
Later than 5 years	10,448	3,652
	12,846	6,662

25. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Guarantees given to certain subsidiaries for banking facilities	–	–	13,898	5,179

26. BANKING FACILITIES

Aggregate banking facilities of the Group as at 31 March 2006 were approximately HK$72,900,000 (2005: HK$45,422,000) of which the unused facilities as at the same date amounted to approximately HK$59,002,000 (2005: 30,164,000). These facilities related to overdrafts, loans and trade financing and were secured by:

(a) Several personal guarantees provided by certain directors;

(b) Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$12,570,000 (2005: HK$7,718,000) (note 6); and

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

27. 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 2005 and 2006, the Company had not granted any share option to the eligible participants.

28. RELATED PARTY TRANSACTIONS

(i) During the year, details of amounts with a related company and certain directors of the Group are as follows:

During the year ended 31 March 2005, amounts due from Total Rich Enterprise Limited, a related company, and Ms Kwan Suk Yee, a director of the Company, of approximately HK$1,208,000 and HK$177,000, respectively, were assigned to Mr Tang Yuk Fung, a director of the Company, at cost.

The balances with the related company and directors of the Group are unsecured, interest-free and with no pre-determined repayment terms.

During the year ended 31 March 2005, the balance with Mr Tang Tuk Fung was settled.

(ii) The Company has undertaken to provide continuing financial support for the future operations of Chain Dragon for the year ended 31 March 2005 and 2006.

(iii) For the year ended 31 March 2006, the Company had total compensation for key management personnel comprising the directors of the Company at approximately HK$4,219,005 (2005: 1,038,005).

29. FINANCIAL INSTRUMENTS

The Group's activities expose it to certain financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

Risk management is carried out by the Board of Directors. The Board of Directors identifies, evaluates and hedges, where applicable, financial risks in close co-operation with the Group's operating units.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in Hong Kong dollars, United States dollars and Renminbi and did not have significant exposure to foreign exchange risk during the year.

(ii) Interest rate risk

The Group's income and operating cash flows may be affected by substantial changes in market interest rates. The Group has no significant interest-bearing assets but enters into bank borrowings and finance leases from time to time. Interest rates applicable to the Group's borrowings and finance leases are disclosed in notes 13 and 14.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Credit risk

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

(iv) Liquidity risk

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

Fair value estimation

Financial assets of the Group include cash and cash equivalents, trade receivables, inventories, other receivables and amount due from a director. Financial liabilities of the Group include bank overdrafts, trade payables, other payables and accruals, bank loans and finance lease liabilities.

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

30. SUBSEQUENT EVENT

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

31. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

32. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2006.

Substantial Shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 20 June 2006.

	NO. OF ORDINARY SHARES OF HK$0.17 EACH			
NAME	DIRECT INTEREST	%	INDIRECT INTEREST	%
China Network Group Limited	68,221,200	61.48	–	–
Lam Tak Shing	–	–	74,221,200	66.89
Tang Yuk Fung	–	–	68,221,200	61.48
Kwan Suk Yee	6,000,000	5.41	68,221,200	61.48

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

Free Float

As at 20 June 2006, approximately 33.11% of the issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company).

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

Distribution of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	141	20.70	2,645	0.00
1,000 – 10,000	289	42.44	1,218,000	1.10
10,001 – 1,000,000	241	35.39	16,137,220	14.54
1,000,001 and above	10	1.47	93,609,435	84.36
Total	681	100.00	110,967,300	100.00

Twenty Largest Shareholders

NO.	NAME	NO. OF SHARES	%
1	China Network Group Limited	37,110,600	33.44
2	Merrill Lynch (Singapore) Pte Ltd	23,110,600	20.83
3	Southern Nominees (S) Sdn Bhd	14,000,000	12.62
4	Kim Eng Securities Pte. Ltd.	8,087,020	7.29
5	Sin Seng Huat International Pte Ltd	4,012,000	3.62
6	Citibank Nominees Singapore Pte Ltd	2,210,000	1.99
7	Sim Chee Wan	1,569,000	1.41
8	Nomura Singapore Limited	1,500,000	1.35
9	DBS Vickers Securities (S) Pte Ltd	1,010,200	0.91
10	Citibank Consumer Nominees Pte Ltd	1,000,015	0.90
11	Chen Yuk Fu	900,000	0.81
12	OCBC Securities Private Ltd	733,000	0.66
13	Yeung Chi Shing	678,000	0.61
14	United Overseas Bank Nominees Pte Ltd	615,000	0.55
15	Phillip Securities Pte Ltd	605,070	0.55
16	Heng Cheng Chee	500,000	0.45
17	BNP Paribas Nominees Singapore Pte Ltd	487,000	0.44
18	Bong Yew Keng (Huang Youqing)	451,000	0.41
19	Yim Wing Cheong	402,000	0.36
20	Chee Chooi Har	300,000	0.27
	Total	99,280,505	89.47

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Superior Fastening Technology Limited (the "Company") will be held at Canning Room, Level 2 Grand Plaza Parkroyal, Singapore, 10 Coleman Street, Singapore 179809 on Monday, 31 July 2006 at 11.00 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 2006 together with the Auditors' Report thereon. **(RESOLUTION 1)**

2. To re-elect the following Directors retiring pursuant to Bye-laws 104 and 107(B) of the Bye-laws of the Company:

Ms Kwan Suk Yee	[Bye-law 104]	**(RESOLUTION 2)**
Mr See Yen Tarn	[Bye-law 107(B)]	**(RESOLUTION 3)**

3. To approve the payment of Directors' fees of HK$663,912.33 for the financial year ended 31 March 2006. (2005: HK$726,000) **(RESOLUTION 4)**

4. To re-appoint Messrs HLB Hodgson Impey Cheng as the Company's Auditors and to authorise the Directors to fix their remuneration. **(RESOLUTION 5)**

5. 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 resolution as Ordinary Resolutions, with or without any modifications:

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

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

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

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

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

6. Authority to allot and issue shares up to fifty per cent. (50%) of issued capital (Continued)
   (b) issue convertible securities and any shares in the Company pursuant to convertible securities (Continued)

   For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

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

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

   (iii) any subsequent consolidation or subdivision of shares." [See Explanatory Note (i)] **(RESOLUTION 6)**

7. 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 shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time." [See Explanatory Note (ii)] **(RESOLUTION 7)**

By order of the Board

Raymond Tong Wei Min / Ma Yiu Ho Peter
COMPANY SECRETARY / DEPUTY COMPANY SECRETARY

SINGAPORE
7 JULY 2006

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 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 (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 6) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 6) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or by the Company's Bye-laws to be held, whichever is the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(ii) The Ordinary Resolution 7 proposed in item 7 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.

Notes:

1. If a member being a depositor whose name appears in the Depository Register (as defined in the Bye-laws of the Company) wishes to attend and vote at the Annual General Meeting, then he/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315, at least 48 hours before the time of the Annual General Meeting.

2. If a depositor wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315, at least 48 hours before the time of the Annual General Meeting.

Board of Directors
Lam Tak Shing
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Tang Yuk Fang
EXECUTIVE DIRECTOR

Kwan Suk Yee
EXECUTIVE DIRECTOR

Chan Kam Fuk
INDEPENDENT DIRECTOR

Tan Chong Huat
INDEPENDENT DIRECTOR

See Yen Tarn
INDEPENDENT DIRECTOR

Audit Committee
Tan Chong Huat
CHAIRMAN

Chan Kam Fuk
See Yen Tarn

Nominating Committee
See Yen Tarn
CHAIRMAN

Tan Chong Huat
Chan Kam Fuk

Remuneration Committee
Chan Kam Fuk
CHAIRMAN

Tan Chong Huat
See Yen Tarn

Company Secretaries
Raymong Tong Wei Min
CORPORATE SECRETARY

Ma Yiu Ho Peter
DEPUTY CORPORATE SECRETARY

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Audit Partner-In-Charge
Mr. Raymond Cheng
Date of Appointment: Financial Year 2006

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