IA International Holdings Limited
毅興科技國際控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code : 8047)

ANNUAL REPORT
2005-2006

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (The "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of IA International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Board of Directors

Executive Directors
Wan Kin Chung *(Chairman)*
Wong Tak Shing *(Deputy Chairman)*
Cheng Kwong Chung

Independent Non-executive Directors
Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Wing Chiu

Company Secretary

Wong Tak Shing *CPA (Aust.), CPA*

Qualified Accountant

Wong Tak Shing *CPA (Aust.), CPA*

Compliance Officer

Wan Kin Chung

Authorised Representatives

Wan Kin Chung
Wong Tak Shing

Audit Committee

Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Wing Chiu

Auditors

Baker Tilly Hong Kong Limited
Certified Public Accountants

Legal Adviser

Vincent T.K. Cheung, Yap & Co.

Principal Banker

Standard Chartered Bank (Hong Kong) Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 1805-06
18/F Riley House
88 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

Principal Place of Business in China

中國深圳市福田區八卦一路
郵電大廈十三樓

Share Registrars and Transfer Offices

Principal registrar
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Branch registrar
Tengis Limited
26/F
Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code

8047

Chairman's Statement

On behalf of the board of directors (the "Board"), we hereby present the Annual Report of IA International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31st March 2006 to our shareholders.

Market Overview

The Group is principally engaged in the research, development, provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the industry. An IOD system solution enables internet users to obtain and process information via the internet.

Due to the slower than expected development progress of the Group's IOD system, whilst the sales of internet appliances and related products decreased substantially during the year owing to intense competition in the electronic business and some quality problems. The Group recorded a loss in the year under review. The Group's turnover amounted to approximately HK$42.5 million, an increase of approximately 9.3% from the previous corresponding year. Loss attributable to shareholders was approximately HK$7.6 million as compared with HK$23.1 million in the previous corresponding year.

The Group completed the development of the IOD system for e-education segment, but market response was less than desirable. The Group's involvement in the e-Tax platform development in Shenzhen also encountered problems after the change of management in the Shenzhen Tax Bureau. Quality problems were encountered in some internet appliances developed by the Group. As a result of these, the Board reviewed the Group's position and will take conservative and cautious steps to seek more viable business opportunities and to improve the quality of the Group's products.

During the year under review, the Company acquired the entire share capital of Union Bridge Group Limited and its subsidiaries ("Union Bridge Group"). The Union Bridge Group is one of the leading one-stop providers in the electronics industry, and is principally engaged in the provision of design and engineering services, printed circuit board assembly, final system assembly and varieties of after sales services to its customers.

By capitalizing on its existing expertise in research and development, the Group is able to expand its scope of business into production of a wider variety of high-end products and diversify its revenue base. The client base of the Group can also be enlarged from the educational sector and internet users to the medical sector, industrial printer sector, instrument sector, power systems industry as well as communication sectors. The acquisition is expected to provide a stable income and a higher profit margin, which in turn will enhance the overall business performance of the Group.

The directors believe that the acquisition will provide a stable income source to the Group and will also provide the Group with an opportunity to benefit from the cost and operation efficiency and other synergy effect arising from the sharing of the research and development resources, technical know-how and management expertise between the Group. Thus, the overall competitiveness of the Group is enhanced.

Financial Overview

The Group recorded an increase of approximately 9.3% in its turnover for the year ended 31st March 2006 to approximately HK$42.5 million compared to the previous corresponding year. The Group's turnover comprises turnover from the internet appliances and related products and income from the development of e-commerce platform and related services. Turnover from the internet appliances and related products segment recorded a decrease of approximately 35.0% in the current year compared to the previous corresponding year owing to intense competition and sales discounts. Income from the development of e-commerce platform and related services recorded a decrease of approximately 53.6% in the current year compared to the previous corresponding year. This was due to the decrease in services fee from the development of various internet platforms in the People's Republic of China ("PRC"). The accounts of the Union Bridge Group were consolidated into the Group upon completion of the acquisition in March 2006. Turnover from the design and engineering of electronic products amounted to HK$1.1 million, contributing 2.6% of the Group's turnover, whereas turnover from the manufacturing of electronic products amounted to HK$16.5 million, contributing 38.8% of the Group's turnover. The Union Bridge Group has been charged with a greater proportion of turnover being generated from manufacturing services which has a relatively lower gross profit margin than that of design and engineering services.

The Group recorded a gross profit in the current year owing to the improvement of quality control and the production technology. The Group also recorded a general decrease in selling prices due to intense competition. Gross loss margin of approximately 8.2% was recorded in the previous corresponding year.

Net loss attributable to shareholders for the year ended 31st March 2006 amounted to approximately HK$7.6 million (2005: net loss of approximately HK$23.1 million). Losses during the year were mainly attributed to provision for impairment loss on investments and impairment loss on fixed assets.

On 12 July 2005, Starryland Profits Limited entered into the agreement in relation to the sale and purchase of 180,000,000 shares of the Company, among others, with Internet Appliances (Holdings) Limited. On 2nd August 2005, the sale and purchase of 180,000,000 shares of the Company, representing 60% of the issued share capital of the Company was completed. Therefore, the controlling shareholder of the Company was changed. Starryland Profits Limited, which is wholly and beneficially owned by Mr. Lau Kim Hung, Jack, became the controlling shareholder.

The Company announced that on 1st June 2006, the Company entered into a conditional placing agreement with a placing agent pursuant to which the placing agent will place up to 60,000,000 new shares of the Company at HK$0.30 per share of the Company on a best endeavour basis. Upon the completion of the placing on 19 June 2006, the total issued shares of the Company was increased from 405,000,000 shares to

465,000,000 shares. The net proceeds of the placing are estimated to be around HK$17.1 million. The Directors currently intend to apply up to HK$12 million for any investments that will enhance the Group's future development and the balance will be used as the general working capital of the Group.

Prospects and Appreciation

The Group is cautiously optimistic about the prospects of the Group for the coming year owing to the expected upward trends in interest rates in the United States and the PRC, and the intense competition in the electronics business. Going forward, the Group will look for other opportunities to diversify its revenue base, explore new markets and develop new products. The Group will also continue to explore investment opportunities so as to optimize its shareholders' interests.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have supported us. We will continue to make our best efforts in developing our businesses to produce good economic results and better return for our shareholders.

Wan Kin Chung
Chairman

Hong Kong, 26th June 2006

Management Discussion and Analysis

Business Review

General

The Group is principally engaged in the research, development and provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the industry. Owing to the intense competitive environment in the internet appliances products and related products, the Group recorded a substantial decline in turnover and loss was resulted during the year relating to that part of business. During the second half of the year, the Group substantially scaled down its operation, including the research and development team, in Shenzhen, the PRC to reduce its operating costs.

The directors are expecting to provide a higher margin, enhancing the overall competitiveness of the Group's existing business and bringing a better return to the Shareholders so as to benefit the Company and the shareholders in the long run by expanding into the research and development and production of a wider variety of high-end products by a business acquisition.

During the same period, the Group also diversified its business by acquiring Union Bridge Group which is engaged in the design and manufacture power devices, thermal controllers and other electronic products, which targets customers mainly in the medical sector, industrial printer sector, instrument sector, power systems industry and communication sectors.

Union Bridge Group is one of the leading one-stop providers in the electronics industry, and is principally engaged in the provision of design and engineering services, printed circuit board assembly , final system assembly and varieties of after sales services to its customers.

By capitalizing on its existing expertise in research and development, the Group is able to expand its scope of business into production of a wider variety of high-end products and diversify its revenue base. The client base of the Group can also be enlarged from the educational sector and internet users to the medical sector, industrial printer sector, instrument sector, power systems industry as well as communication sectors. The acquisition is expected to provide a stable income and a higher profit margin, which in turn will enhance the overall business performance of the Group.

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Financial Review

Results

The Group recorded an increase of approximately 9.3% in its turnover for the year ended 31st March 2006 to approximately HK$42.5 million compared to the previous corresponding year. The Group's turnover comprises turnover from the internet appliances and related products and income from the development of e-commerce platform and related services. Turnover from the internet appliances and related products segment recorded a decrease of approximately 35.0% in the current year compared to the previous corresponding year owing to intense competition and sales discounts. Income from the development of e-commerce platforms and related services recorded a decrease of approximately 53.6% in the current year compared to the previous corresponding year. This was due to the decrease in services fee from the development of various internet platforms in the PRC. The accounts of the Union Bridge Group were consolidated into the Group upon completion of the acquisition in March 2006. Turnover from the design and engineering of electronic products amounted to HK$1.1 million, contributing 2.6% of the Group's turnover, whereas turnover from the manufacturing of electronic products amounted to HK$16.5 million, contributing 38.8% of the Group's turnover. The Union Bridge Group has been charged with a greater proportion of turnover being generated from manufacturing services which has a relatively lower gross profit margin than that of design and engineering services.

The Group recorded a gross profit in the current year owing to the improvement of quality control and the production technology. The Group also recorded a general decrease in selling prices due to intense competition. Gross loss margin of approximately 8.2% was recorded in the previous corresponding year.

Net loss attributable to shareholders for the year ended 31st March 2006 amounted to approximately HK$7.6 million (2005: net loss of approximately HK$23.1 million). Loss during the year was mainly attributed to provision for impairment loss on investments and impairment loss on fixed assets.

Liquidity, financial resources and capital structure

As at 31st March 2006, the Group had total assets of approximately HK$127.2 million (2005: approximately HK$29.9 million), including net cash and bank balances of approximately HK$4 million (2005: approximately HK$162,000).

For the year ended 31st March 2006, the Group financed its operations mainly with its own working capital and was granted general banking facilities of approximately HK$76.7 million (2005: HK$10 million). Approximately HK$63.3 million was utilised at the balance sheet date (2005: HK$8.1 million). Approximately HK$12.0 million of net book value of fixed assets was charged as at 31st March 2006 (2005: Nil).

As at 31st March 2006, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0.50 (2005: 0.27). The Group had bank borrowings of approximately HK$63.5 million as at 31st March 2006 (2005: HK$8.1 million).

Most of the transactions of the Group are denominated in United States Dollars ("USD"), Hong Kong Dollars ("HK$") and Renminbi ("RMB"). As the exchange rate of USD and RMB to HK$ are fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Segment information

The revenue of the Group comprises the sales of internet appliances and related products and services fee from the provision of the development of e-commerce platforms and related services. Besides, the revenue also comprises design and engineering of electronic products and manufacturing of electronic products which contributed from Union Bridge Group.

Revenue from the sales of internet appliances and related products decreased by approximately 35% and approximately HK$12.9 million and that from the provision of the development of e-commerce platforms and related services decreased by approximately HK$1.1 million, a decrease of approximately 53.6% compared to the previous corresponding year.

As to the geographical segments, sales of the Group were generated in the Asia, USA, UK and Europe market during the year ended 31st March 2006 (2005: All in Asia market).

Please also refer to note 6 to the financial statements in this annual report for details of segment information.

New products and services

During the year, the Company acquired the entire share capital of the Union Bridge Group, which is one of the leading one-stop providers in the electronics industry, and is principally engaged in the provision of design and engineering services, the manufacturing and assembly of Printed Circuit Board ("PCB"), the production of finished products and the offering of a variety of after sales services to its customers.

As the Union Bridge Group is engaged in the manufacture of high-end products such as power devices, thermal controller and other electronic products with customers mainly in the medical sector, industrial printer sector, instrument sector, power systems industry and communication sectors, the product base and the clientele of the Group have been broadened.

The Group will continue with its business strategies: 1) enhancement of its production capacity and quality by continued research and development on workflow and products; 2) the acquisition of new technology and launch of new products to the market with higher margin; 3) review and revise the existing marketing plan to cope with changing market conditions; 4) exploration of new market, e.g. in higher end market in the electronics industries; and 5) continued streamlined and costs containment policy.

Management Discussion and Analysis

Significant investments

As at 31st March 2006, other than the investment in the listed securities of a company listed in Hong Kong detailed in note 17 to the financial statements in this annual report, the Group did not have any other significant investments. A provision of approximately HK$8.9 million has been made for the impairment in value as at 31st March 2006.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has acquired 100% equity interest in Union Bridge Group. Union Bridge Group is engaged in the provision of design and engineering services, the manufacturing and assembly of PCB, the provision of finished products employing manual workmanship and the offering of a variety of after sales services to its customers.

The consideration for this acquisition is HK$32 million. Details of this acquisition are disclosed in the Company's circular dated 24th February 2006.

Future plans for material investments and expected source of funding

As at 31st March 2006, the Group did not have any plan for material investment or acquisition of material capital assets. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Company had provided guarantees for the bank facilities granted to a wholly-owned subsidiary. No guarantees for the bank facilities were utilised as at 31st March 2006 (2005: HK$8.1 million).

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,343,000 as at 31st March 2006. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Saved as disclosed above, the Group had no other material contingent liabilities (2005: Nil).

Employees and remuneration policies

As at 31st March 2006, the Group had 585 (2005: 32) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$0.9 million for the year ended 31st March 2006 (2005: approximately HK$2.5 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. 30,000,000 share options have been granted to directors, employees and consultants whereby HK$4,140,000 options money was received as at 8th May 2006.

Directors and Senior Management

Executive Directors

Wan Kin Chung, aged 54, the chairman and executive director of the Company, graduated from the Hong Kong Polytechnic in Telecommunication/Computer Stream. Mr. Wan had over 25 years' experience in electronics industry and management position. Mr. Wan has been working in multinational companies for more than 20 years and was the Section Manager of Data General Hong Kong and the Manufacturing Manager of Tektronix Hong Kong. Mr. Wan had set up two factories (Advent Manufacturing and Tektronix Hong Kong) and he was responsible in site selection, equipment sourcing, establishing company policy and recruitment.

Wong Tak Shing, aged 43, the executive director, the deputy chairman, company secretary and qualified accountant of the Company, graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. He has over 20 years of experience in corporate finance, accounting, personnel and administration. He was appointed as an executive director and the deputy chairman on 1st April 2006. He is an independent non-executive director of Sun Innovation Holding Limited (Stock Code: 547).

Cheng Kwong Chung, aged 40, re-appointed as an executive director on 1st April 2006, is an ex-director of the Company and co-founder of the Group. He is a former executive director of the Company. Mr. Cheng holds a Bachelor of Engineering Degree in Electronics Engineering from the Hong Kong Polytechnic University in Hong Kong. Mr. Cheng has over ten years of experience in sales and marketing and over five years of experience in software programming. Before founding the Group, Mr. Cheng worked as a general manager for an electronic trading company in Hong Kong.

Li Ting, resigned as the chairman of the Group with effect from 16th August 2005 and resigned as an executive director of the Company with effect from 24th August 2005.

Zhang Fulin, resigned as the deputy chairman, executive director and authorized representative of the Company with effect from 1st April 2006.

Independent Non-executive Directors

Kwok Chi Sun, Vincent, aged 43, who was also appointed as an audit committee member, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of four other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited and Kanhan Technologies Group Limited, the former three companies are listed on main board of the Stock Exchange while the last company is listed on GEM.

Yeung Kam Yan, aged 53, who was also appointed as an audit committee member, is a member of the Air & Waste Management Association – Hong Kong Section. Mr. Yeung has over eight years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998. Mr. Yeung is currently the executive director of Grandy Corporation, a company listed on GEM.

Directors and Senior Management

Chan Wing Chiu, aged 75, who was also appointed as an audit committee member, holds a bachelor's degree in electrical engineering from the South China University of Guangzhou, the PRC. Mr. Chan has over 48 years of experience in the power supply industry. Mr. Chan had been a power designer for signalling and communication engineer for the Ministry of Railways, the PRC for more than 27 years.

Leung Wai Ling, Wylie resigned as an independent non-executive director of the Company with effect from 24th August 2005.

Gui Gan, resigned as an independent non-executive director of the Company with effect from 24th August 2005.

Guo Wen Hong, resigned as an independent non-executive director of the Company with effect from 24th August 2005.

Wong Hou Yan, **Norman**, was appointed as the independent non-executive director and an audit committee member of the Company on 16th August 2005 and resigned from both positions with effect from 1st April 2006.

Senior Management

Cheng Pui Ping, Grandy, the Chief Executive Officer and Chief Operating Officer of Union Bridge Group, is a founder of Union Bridge Group. She is responsible for formulating the overall business strategy and plans of Union Bridge Group. She has over 27 years of marketing and management experience in the power supply and magnetic industry. She was formerly a marketing manager of power supply of Elec & Eltek Company Limited and an executive director of a magnetic and transformer manufacturer before founding Union Bridge Group.

Lo Ka Tong, the Chief Technical Officer of Union Bridge Group, is a founder of Union Bridge Group. He is responsible for the management and co-ordination of R&D department. He holds a master's degree in science (electrical engineering and computer science) from the University of New Mexico and a bachelor's degree of science in electrical engineering from the University of Hong Kong. He is also a registered professional engineer in British Columbia, Canada. He has over 13 years of experience in software development and project management and has about 22 years of experience in the power supply and PCB assembly industry. He was previously a director and general manager of Elec & Eltek Power Supply Limited and Elec & Eltek Computers Limited and an assistant project director of Computasia Limited before founding Union Bridge Group.

Kwong Fat Pui, is a director of Dongguan Popbridge. He is in charge of overall manufacturing operations in the PRC. He holds a bachelor's degree of science from the Department of Electronic Engineering of the Fu Jen Catholic University of Taipei, Taiwan. He has over 19 years of experience in the areas of power supply production and quality assurance. He is also a representative for ISO 9001. He joined Union Bridge Group in December 1992.

Mok Vickie, is a daughter of Ms. Cheng and the Marketing Manager of Union Bridge Group. She is responsible for the sales and marketing of Union Bridge Group. She holds a master's degree in commerce and a bachelor's degree of arts (major in economics) from the University of Wollonggong, Australia. She has over 8 years' banking experience in Hong Kong. She joined Union Bridge Group in April 2000.

Chan Tsz Fung, is the QA Manager of Union Bridge Group. He is responsible for the quality control and management of Union Bridge Group. He holds a bachelor's degree of science in applied physics from the City Polytechnic of Hong Kong and a bachelor's degree of science in applied computing from the Open University of Hong Kong. He has over 10 years of experience in the areas of electronic manufacturing and quality assurance. He joined Union Bridge Group in August 2004.

Kwok Wing Kuen, is the Design Assurance Manager of Union Bridge Group. He is responsible for the design control and assurance functions of Union Bridge Group. He holds an endorsement to higher certificate in mechanical engineering from Hong Kong Polytechnic and a management service certificate from the Institute of Management Service. He has over 15 years of experience in quality control. He joined Union Bridge Group in March 1997.

Lo Kwok Choi, is the Engineering Supervisor of Union Bridge Group. He supervises two of design teams. He specialises in the circuit design of uninterrupted power supplies and DC/AC inverters and other related power supply applications. He holds a bachelor's degree in science from the National Cheng Kung University, Taiwan. He has over 16 years of experience working as an electrical engineer. He joined Union Bridge Group in October 1997.

Lui Mui Ching, resigned as the qualified accountant and company secretary of the Group with effect from 1st April 2006.

Report of the Directors

The directors herein present their annual report and the audited financial statements of IA International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. Other than the investments in Union Bridge Group during the year, there have been no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31st March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 72.

The directors do not recommend any dividends during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the five years ended 31st March 2006 and of the assets, liabilities and minority interests of the Group as at 31st March 2006, 2005, 2004, 2003 and 2002

Consolidated results

	Year ended 31st March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**42,474**	38,864	96,804	104,385	49,330
(Loss)/Profit before income tax	**(8,013)**	(25,110)	2,752	5,062	4,694
Income tax	**353**	1,841	(1,221)	(971)	(817)
(Loss)/Profit for the year	**(7,660)**	(23,269)	1,531	4,091	3,877
Attributable to:					
Equity shareholders of the Company	**(7,649)**	(23,143)	1,532	4,163	3,679
Minority interests	**(11)**	(126)	(1)	(72)	198
	(7,660)	(23,269)	1,531	4,091	3,877

Consolidated assets and liabilities and minority interests

	As at 31st March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**127,170**	29,935	54,432	59,293	45,666
Total liabilities	**(106,140)**	(11,118)	(11,065)	(18,697)	(9,161)
Minority interests	**(1,988)**	(1,999)	(2,125)	(2,126)	(2,198)
	19,042	16,818	41,242	38,470	34,307

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in note 29 to the financial statements.

ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired an entire interest in Union Bridge Group for a total consideration of HK$32 million, which comprised the allotment and issues of ordinary shares of the Company totalling HK$9.0 million at an issue price of HK$0.12 per share, the issues of convertible notes and promissory note of the Company amounting to HK$9.3 million and HK$13.7 million respectively.

Other than the above, the Group did not have any material acquisitions and disposals of subsidiaries and investments during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 31 to 32 of the annual report and in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st March 2006, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$10,281,000 (2005: HK$12,561,000), as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK$11,152,000 as at 31st March 2006 (2005: HK$5,902,000) may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for 61% (2005: 84%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for 16% (2005: 24%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for 85% (2005: 99%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for 81% (2005: 75%) of the total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wan Kin Chung	(Appointed on 16th August 2005)
Mr. Wong Tak Shing	(Appointed on 1st April 2006)
Mr. Cheng Kwong Chung	(Appointed on 1st April 2006)
Mr. Li Ting	(Resigned on 24th August 2005)
Mr. Zhang Fulin	(Resigned on 1st April 2006)

Independent non-executive directors:

Mr. Kwok Chi Sun Vincent	(Appointed on 16th August 2005)
Mr. Yeung Kam Yan	(Appointed on 16th August 2005)
Mr. Chan Wing Chiu	(Appointed on 16th August 2005)
Ms. Leung Wai Ling Wylie	(Resigned on 24th August 2005)
Mr. Gui Gan	(Resigned on 24th August 2005)
Ms. Guo Wen Hong	(Resigned on 24th August 2005)
Mr. Wong Hou Yan Norman	(Appointed on 16th August 2005 and resigned on 1st April 2006)

In accordance with Bye-law of the Company and the Appendix 15 of the GEM Listing Rules, Wan Kin Chung, Wong Tak Shing, Cheng Kwong Chung, Kwok Chi Sun Vincent, Yeung Kam Yan and Chan Wing Chiu will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Under the Code A.4.2, every director should be subject to retirement by rotation every three years. In order to comply with this code, the existing Articles of Association will be proposed at the forthcoming annual general meeting to make the necessary amendments.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation of his/her independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and considered them to be independent as at the date of this report.

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the annual report.

DIRECTORS’ SERVICE CONTRACTS

Each of Kwok Chi Sun Vincent, Yeung Kam Yan and Chan Wing Chiu, the independent non-executive directors of the Company, entered into a letter of appointment with the Company, for an initial term of one year commencing from 16th August 2005. Wong Tak Shing, the executive director, entered into a letter of appointment with the Company, for an initial term of one year commencing from 1st April 2006. They will continue thereafter until terminated by either party giving not less than one month’s notice in writing to the other party.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2006, none of the directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors and chief executives' interests in shares" above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2006, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executives' interests in shares" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Names of shareholders	**Number of ordinary shares held**	**Approximate percentage of the shareholding in the Company**
Starryland Profits Limited *(Note 1)*	202,500,000	54.00%
Lau Kim Hung, Jack *(Note 1)*	202,500,000	54.00%
Chan Yiu Kan, Katie *(Note 1)*	202,500,000	54.00%
Union Bridge Power Systems Limited *(Note 2)*	123,947,368	33.05% *(Note 2)*
Castleford Assets Limited *(Note 3)*	19,000,000	5.07%
Chan Siu Wing, Raymond *(Note 3)*	19,000,000	5.07%

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack. Ms. Chan Yiu Kan, Katie is deemed to be interested in the 202,500,000 shares of the Company by virtue of her being the spouse of Mr. Lau Kim Hung, Jack.

2. Union Bridge Power Systems Limited is interested in 75,000,000 shares of the Company and 48,947,368 conversion shares to be issued pursuant to the convertible notes issued by the Company. If 48,947,368 conversion shares to the issued, Union Bridge Power Systems Limited will be interested in 29.24% of the total issued shares of the Company.

3. Castleford Assets Limited is wholly and beneficially owned by Mr. Chan Siu Wing, Raymond.

Save as disclosed above, as at 31 March 2006, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of recognising significant contributions of the employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The Scheme became effective on 1st November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

At the balance sheet date, no share options had been granted under the Scheme.

COMPETITION AND CONFLICT OF INTERESTS

Up to the date of this report, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2006 except that: (i) the role of Chairman and chief executive officer are not separated and are performed by the same individual; and (ii) no nomination committee of the Board is established.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18th October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the Committee currently comprises the four independent non-executive directors of the Company, namely, Mr. Wong Hou Yan, Norman (resigned on 1st April 2006) Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu (appointed with effect from 16th August 2005). During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31st March 2006 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CONNECTED PARTY TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31st March 2006.

AUDITORS

The financial statements for the years ended 31st March 2004, 2005 and 2006 have been audited by Baker Tilly Hong Kong Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Wan Kin Chung
Chairman

Hong Kong
26th June 2006

Corporate Governance Report

Corporate Governance Practices

Subject to the deviation as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the period under review.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31st March 2006.

Board of Directors and Board Meetings

The Board members for the year ended 31st March 2006 were:

Executive directors:

Mr. Wan Kin Chung *(Chairman)*	(appointed on 16th August 2005)
Mr. Wong Tak Shing	(appointed on 1st April 2006)
Mr. Cheng Kwong Chung	(appointed on 1st April 2006)
Mr. Li Ting	(resigned on 24th August 2005)
Mr. Zhang Fulin	(resigned on 1st April 2006)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent	(appointed on 16th August 2005)
Mr. Yeung Kam Yan	(appointed on 16th August 2005)
Mr. Chan Wing Chiu	(appointed on 16th August 2005)
Ms. Leung Wai Ling, Wylie	(resigned on 24th August 2005)
Mr. Gui Gan	(resigned on 24th August 2005)
Ms. Guo Wen Hong	(resigned on 24th August 2005)
Mr. Wong Hou Yan, Norman	(appointed on 16th August 2005 and resigned on 1st April 2006)

The board of directors (the "Board") is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The directors' biographical information is set out on pages 11 to 13 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company appointed four independent non-executive directors during the current financial year who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. In order to comply with this code, the existing articles of association will be proposed at the forthcoming annual general meeting to make the necessary amendments.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent.

The Board held a full board meeting for each quarter.

Details of the attendance of the meetings of the Board are as follows:

Directors		**Attendance**
Mr. Wan Kin Chung	(appointed on 16th August 2005)	2/4
Mr. Wong Tak Shing	(appointed on 1st April 2006)	0/4
Mr. Cheng Kwong Chung	(appointed on 1st April 2006)	0/4
Mr. Kwok Chi Sun, Vincent	(appointed on 16th August 2005)	2/4
Mr. Yeung Kam Yan	(appointed on 16th August 2005)	2/4
Mr. Chan Wing Chiu	(appointed on 16th August 2005)	2/4
Mr. Li Ting	(resigned on 24th August 2005)	2/4
Mr. Zhang Fulin	(resigned on 1st April 2006)	4/4
Ms. Leung Wai Ling, Wylie	(resigned on 24th August 2005)	2/4
Mr. Gui Gan	(resigned on 24th August 2005)	2/4
Ms. Guo Wen Hong	(resigned on 24th August 2005)	2/4
Mr. Wong Hou Yan, Norman	(appointed on 16th August 2005 and resigned on 1st April 2006)	2/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required.

Chairman and Chief Executive Officer

The roles of chairman and chief executive officer of the Company has been performed by Mr. Wan Kin Chung. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

Remuneration of Directors

The remuneration committee was established during the year with written terms of reference in compliance with the code provision. The remuneration committee consists of six members, of which four are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Wong Hou Yan, Norman, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, and two are executive directors being Mr. Wan Kin Chung and Mr. Zhang Fulin. The chairman of the committee is Mr. Kwok Chi Sun, Vincent. Mr. Zhang Fulin and Mr. Wong Hou Yan, Norman resigned on 1st April 2006.

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

During the period under review, a meeting of the remuneration committee was held in December 2005. Details of the attendance of the meeting of the remuneration committee are as follows:

Members	**Attendance**
Mr. Wan Kin Chung	1/1
Mr. Zhang Fulin	1/1
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Wong Hou Yan, Norman	1/1
Mr. Yeung Kan Yan	1/1
Mr. Chan Wing Chiu	1/1

Nomination of Directors

No nomination committee was established by the Company.

The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

Auditors' Remuneration

The Company has appointed Baker Tilly Hong Kong Limited as the auditors of the Group (the "Auditors"). The Board is authorized in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors only perform the work of statutory audit for the year ended 31st March 2006 and did not involve any non-audit assignment of the Group. The remuneration of the auditors for the year ended 31st March 2006 is approximately HK$359,000.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to directors. The audit committee comprises four members, Mr. Wong Hou Yan, Norman, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun Vincent. Mr. Wong Hou Yan, Norman resigned on 1st April 2006.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members		**Attendance**
Mr. Kwok Chi Sun, Vincent	(appointed on 16th August 2005)	2/4
Mr. Wong Hou Yan, Norman	(appointed on 16th August 2005) (resigned on 1st April 2006)	2/4
Mr. Yeung Kam Yan	(appointed on 16th August 2005)	2/4
Mr. Chan Wing Chiu	(appointed on 16th August 2005)	2/4
Ms. Leung Wai Ling, Wylie	(resigned on 24th August 2005)	2/4
Mr. Gui Gan	(resigned on 24th August 2005)	2/4
Ms. Guo Wen Hong	(resigned on 24th August 2005)	2/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31st March 2006 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Directors' and Auditors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditors' responsibilities are set out in the Auditors' Report.

Report of the Auditors

BAKER TILLY
HONG KONG LIMITED
Certified Public Accountants
正風會計師事務所有限公司
12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

AUDITORS' REPORT TO THE MEMBERS OF
IA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty

As referred to in Note 2 to the financial statements, these financial statements have been prepared on the basis of accounting practices applicable to a going concern. The ability of the Group to continue as a going concern is dependent upon the continuation of the financial support by the ultimate holding company and bankers of the Group. We consider that appropriate disclosures have been made in the financial statements, and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st March 2006 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
Hong Kong, 26th June 2006

Chan Cheuk Chi
Practising Certificate number P01137

Consolidated Income Statement

FOR THE YEAR ENDED 31ST MARCH 2006

	Notes	2006 HK$'000	2005 HK$'000
TURNOVER	7	**42,474**	38,864
Cost of sales		**(38,096)**	(42,035)
Gross profit/(loss)		**4,378**	(3,171)
Other revenue	8	**318**	250
Distribution costs		**(126)**	(626)
Administrative expenses		**(5,517)**	(4,033)
Provision for bad and doubtful debts		**–**	(3,093)
Other operating expenses		**(415)**	(2,085)
LOSS FROM OPERATING ACTIVITIES	9	**(1,362)**	(12,758)
Loss on disposals of fixed assets		**–**	(3,910)
Provision for impairment loss of fixed assets	16	**(5,000)**	–
Provision for impairment loss of other investments		**–**	(8,223)
Provision for impairment loss of available-for-sale financial assets		**(657)**	–
Finance costs	10	**(994)**	(219)
LOSS BEFORE INCOME TAX		**(8,013)**	(25,110)
Income tax	12	**353**	1,841
LOSS FOR THE YEAR		**(7,660)**	(23,269)
ATTRIBUTABLE TO:	13		
Equity holders of the Company		**(7,649)**	(23,143)
Minority interests		**(11)**	(126)
LOSS FOR THE YEAR		**(7,660)**	(23,269)
DIVIDENDS	14	**–**	–
LOSS PER SHARE	15		
– Basic		**HK cent (2.53)**	HK cent (7.71)
– Diluted		**N/A**	N/A

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

Consolidated Balance Sheet

AS AT 31ST MARCH 2006

	Notes	2006 HK$'000	2005 HK$'000 (restated)
NON-CURRENT ASSETS			
Fixed assets	16	**20,986**	8,022
Other investments	17	**–**	1,377
Available-for-sale financial assets	17	**720**	–
Intangible assets	19	**25,537**	–
Deferred tax assets, net	31	**658**	1,646
		47,901	11,045
CURRENT ASSETS			
Inventories	20	**20,856**	–
Accounts receivable	21	**33,663**	12,175
Prepayments, deposits and other receivables		**6,756**	5,626
Financial assets at fair value through profit or loss	22	**2,325**	–
Tax prepaid		**6**	927
Pledged time deposits		**11,239**	–
Cash and bank balances		**4,424**	162
		79,269	18,890
CURRENT LIABILITIES			
Accounts payable	23	**10,330**	541
Bank borrowings	24	**62,413**	8,168
Current portion of finance lease payables	25	**2,368**	–
Other loans	26	**1,134**	–
Accrued expenses and other payables		**3,064**	1,331
Amount due to a shareholder		**999**	–
Taxes payable		**973**	1,078
		81,281	11,118
NET CURRENT (LIABILITIES)/ASSETS		**(2,012)**	7,772
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,889**	18,817

Consolidated Balance Sheet

AS AT 31ST MARCH 2006

	Notes	2006 HK$'000	2005 HK$'000 (restated)
NON-CURRENT LIABILITIES			
Bank borrowings	24	**1,045**	–
Finance lease payables	25	**2,592**	–
Convertible notes	27	**8,415**	–
Promissory notes	28	**12,636**	–
Provision for long services payment		**171**	–
		24,859	–
NET ASSETS		**21,030**	18,817
CAPITAL AND RESERVES			
Issued capital	29	**18,750**	15,000
Reserves	30	**292**	1,818
		19,042	16,818
MINORITY INTERESTS		**1,988**	1,999
TOTAL EQUITY		**21,030**	18,817

Wan Kin Chung
Director

Wong Tak Shing
Director

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

Balance Sheet

AS AT 31ST MARCH 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**13,172**	13,172
Amounts due from subsidiaries	18	**12,636**	–
		25,808	13,172
CURRENT ASSETS			
Amounts due from subsidiaries	18	**37,365**	20,381
Cash and bank balances		**1,138**	5
Tax prepaid		**4**	–
		38,507	20,386
CURRENT LIABILITIES			
Bank overdraft, unsecured		**132**	–
Accrued expenses and other payables		**1,065**	95
Amount due to a shareholder		**999**	–
		2,196	95
NET CURRENT ASSETS		**36,311**	20,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**62,119**	33,463
NON-CURRENT LIABILITIES			
Convertible notes	27	**8,415**	–
Promissory notes	28	**12,636**	–
		21,051	–
NET ASSETS		**41,068**	33,463
CAPITAL AND RESERVES			
Issued capital	29	**18,750**	15,000
Reserves	30	**22,318**	18,463
		41,068	33,463

Wan Kin Chung
Director

Wong Tak Shing
Director

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

Statement of Changes in Equity of the Group and the Company

FOR THE YEAR ENDED 31ST MARCH 2006

Group

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Exchange reserve	Capital reserve	Convertible notes reserve	Retained profits/ (Accumulated losses)	Total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2004	15,000	5,902	6,015	189	1,200	–	12,936	41,242	2,125	43,367
Arising on consolidation of a subsidiary company	–	–	–	(81)	–	–	–	(81)	–	(81)
Negative goodwill	–	–	–	–	(1,200)	–	–	(1,200)	–	(1,200)
Net loss for the year	–	–	–	–	–	–	(23,143)	(23,143)	(126)	(23,269)
Balance at 31st March 2005	15,000	5,902	6,015	108	–	–	(10,207)	16,818	1,999	18,817
Arising on consolidation of a subsidiary company	–	–	–	(12)	–	–	–	(12)	–	(12)
Issue of share capital *(note 29)*	3,750	5,250	–	–	–	–	–	9,000	–	9,000
Issue of convertible notes *(note 27)*	–	–	–	–	–	885	–	885	–	885
Net loss for the year	–	–	–	–	–	–	(7,649)	(7,649)	(11)	(7,660)
Balance at 31st March 2006	18,750	11,152	6,015	96	–	885	(17,856)	19,042	1,988	21,030

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

Statement of Changes in Equity of the Group and the Company

FOR THE YEAR ENDED 31ST MARCH 2006

Company

	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2004	15,000	5,902	12,947	–	(336)	33,513
Net loss for the year	–	–	–	–	(50)	(50)
Balance at 31st March 2005	15,000	5,902	12,947	–	(386)	33,463
Issue of share capital *(note 29)*	3,750	5,250	–	–	–	9,000
Issue of convertible notes *(note 27)*	–	–	–	885	–	885
Net loss for the year	–	–	–	–	(2,280)	(2,280)
Balance at 31st March 2006	18,750	11,152	12,947	885	(2,666)	41,068

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2006

	2006 HK$'000	2005 HK$'000
Loss before income tax	**(8,013)**	(25,110)
Adjustments for:		
Depreciation	**1,372**	1,180
Amortisation of intangible assets	**161**	–
Loss on disposals of fixed assets	**–**	3,910
Provision for impairment loss on other investments/available-for-sale financial assets	**657**	8,223
Provision for impairment loss on fixed assets	**5,000**	–
Provision for bad and doubtful debts	**–**	3,093
Interest expenses	**994**	219
Interest income	**(108)**	(5)
Operating cash flows before movements in working capital	**63**	(8,490)
Decrease in inventories	**8,176**	–
(Increase)/Decrease in accounts receivable	**(1,739)**	8,000
Decrease/(Increase) in prepayments, deposits and other receivables	**3,627**	(3,717)
(Decrease)/Increase in accounts payable and bills payable	**(7,788)**	3,656
Decrease in accrued expenses and other payables	**(86)**	(2,720)
Cash generated from/(used in) operating activities	**2,253**	(3,271)
Interest paid	**(994)**	(219)
Hong Kong profits tax refunded	**934**	–
Hong Kong profits tax paid	**(4)**	(1,699)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**2,189**	(5,189)
INVESTING ACTIVITIES		
Interest received	**–**	5
Sales proceeds from disposals of fixed assets	**795**	3,909
Purchases of fixed assets	**(1,626)**	(7,828)
Product development cost paid	**(833)**	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(1,664)**	(3,914)
FINANCING ACTIVITIES		
Interest received	**108**	–
Repayment of obligation under finance lease	**(202)**	–
New bank loans	**28**	–
Repayment of bank loans	**(254)**	–
Advances from a shareholder	**880**	–
Increase in pledged time deposit	**2,315**	–
New other loan	**10**	–
Repayment of bank overdraft by newly acquired subsidiary	**(25,600)**	–
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(22,715)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(22,190)**	(9,103)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**78**	9,256
CHANGES IN FOREIGN EXCHANGE RATES	**(12)**	(75)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(22,124)**	78
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**4,424**	162
Bank overdrafts	**(26,548)**	(84)
	(22,124)	78

Non-cash transaction:

During the year, the Group acquired an entire interest in Union Bridge Group Limited and its subsidiaries for a total consideration of HK$32 million, comprised of the allotment and issues of ordinary shares of the Company totalling HK$9.0 million at in issue price of HK$0.12 per share, the issues of convertible notes and promissory note of the Company amounting to HK$9.3 million and HK$13.7 million respectively. The conversion price per share of the convertible notes is HK$0.19 per conversion share.

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

Notes to Financial Statements

1. CORPORATION INFORMATION

The Company was incorporated in Bermuda on 7th June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on the Growth Enterprise Market ("GEM") on 1st November 2001. Details of the group reorganization are set out in the Company's prospectus dated 24th October 2001.

The principal activity of the Company is investment holding. During the year, the Group was principally involved in the research, development and provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the industry. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Rooms 1805-06, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, Hong Kong.

In the opinion of the directors, as at 31st March 2006, the ultimate holding company of the Company was Starryland Profits Limited which is incorporated in the British Virgin Islands.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as the "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value and promissory notes which have been measured at amortised cost.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern. This may not be appropriate in view of the significant accumulated losses and net current liabilities as at 31st March 2006. At the balance sheet date, the Group suffered an operating loss of HK$7,660,000 (2005: HK$23,269,000) for the year then ended and current liabilities exceeded current assets by HK$2,012,000 (2005: net current assets of HK$7,772,000). The continuation of the business as a going concern is dependent upon the Group attaining future profitable operations and the continuing financial support of its ultimate holding company and major bankers.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which may arise, and to re-classify non-current assets as current assets.

2. BASIS OF PRESENTATION *(Continued)*

The ultimate holding company has confirmed in writing their intention to provide the continuing financial support so as to enable the Group to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. The directors believe that the Group will continue as a going concern and consequently have prepared the financial statements on a going concern basis.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of New HKFRSs, which have become effective for accounting periods beginning on or after 1st January 2005 and have not been early adopted by the Group for the preparation of the financial statements of the Group for the year ended 31st March 2005. The following New HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 7	Financial Instruments: Disclosures
HKFRS – INT 4	Determining whether an Arrangement contains a Lease

2. BASIS OF PRESENTATION *(Continued)*

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The adoption of HKAS 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 36, 37 and HKFRS 2 did not result in substantial changes to the accounting policies and the methods of computation used in the financial statements.

The following is a summary of changes in principal accounting policies or presentation of the financial statements as a result of the adoption of the New HKFRSs:

(a) Changes in presentation (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

(i) In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the loss attributable to shareholders (the equity shareholders of the Company).

In order to comply with HKAS 1 and HKAS 27, the Group has changed its presentation of minority interests where minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. The change in presentation has been applied retrospectively with comparatives restated.

(ii) In prior years, the comparative information is not required for the analysis of the movements in fixed assets.

In order to comply with HKAS 1, the Group has disclosed the comparative movements in fixed assets.

2. BASIS OF PRESENTATION *(Continued)*

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Financial Instruments (HKAS 32, Financial Instruments: Disclosure and Presentation and HKAS 39, Financial Instruments: Recognition and Measurement)

In prior years, the Group classified its investments, other than subsidiaries, as other investments. Securities intended to be held for identified long-term purpose or strategic reason were included in the balance sheet under non-current assets and were carried at cost less provision for impairment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the change in the recognition and measurement of loans and receivables and borrowings. Loans and receivables are carried at amortised costs using the effective interest method. Borrowings are recognised initially at fair value, net of transactions costs incurred and subsequently stated at amortised cost using effective interest method.

HKAS 39 does not require to recognise, derecognise and measure financial assets and liabilities in accordance with this standard retrospectively, the comparative amounts as at 31st March 2005 are not restated.

(c) Business Combinations (HKFRS 3, Business Combinations, HKAS 36, Impairment of Assets and HKAS 38, Intangible assets)

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in the income statement.

Other than the above, the accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the annual accounts of the Group for the year ended 31st March 2005.

2. BASIS OF PRESENTATION *(Continued)*

2.2 POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	*(Note a)*	Capital disclosures
HKAS 19 (Amendment)	*(Note b)*	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	*(Note b)*	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	*(Note b)*	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	*(Note b)*	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	*(Note b)*	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	*(Note b)*	Exploration for and evaluation of mineral resources
HKFRS 7	*(Note a)*	Financial instruments: Disclosures
HKFRS – Int 4	*(Note b)*	Determining whether an arrangement contains a lease
HKFRS – Int 5	*(Note b)*	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Int 6	*(Note c)*	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment
HK(IFRIC) – Int 7	*(Note d)*	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	*(Note e)*	Scope of HKFRS 2
HK(IFRIC) – Int 9	*(Note f)*	Reassessment of embedded derivatives

Note a: effective for annual periods beginning on or after 1st January 2007

Note b: effective for annual periods beginning on or after 1st January 2006

Note c: effective for annual periods beginning on or after 1st December 2005

Note d: effective for annual periods beginning on or after 1st March 2006

Note e: effective for annual periods beginning on or after 1st May 2006

Note f: effective for annual periods beginning on or after 1st June 2006

The Group has commenced considering the potential impact of the above new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results of operations and financial position are prepared and presented.

2. BASIS OF PRESENTATION *(Continued)*

2.3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(a) *Effects of adopting HKFRS 3 on the consolidated income statement for the two years ended 31st March 2005 and 2006 are as follows:*

	Group	
	2006	2005
	HK$'000	*HK$'000*
Decrease in other operating expenses	**1,190**	–
Decrease in loss attributable to shareholders of the Company	**1,190**	–
Decrease in basic loss per share	**HK cent 0.39**	–
Decrease in diluted loss per share	**N/A**	–

(b) *Effects of adopting HKAS 32, HKAS 39 and HKFRS 3 on the consolidated balance sheet as at 31st March 2006 are as follows:*

	Group	
	HKAS 32 & HKAS 39	**HKFRS 3**
	HK$'000	*HK$'000*
Increase/(decrease) in non-current assets		
Other investments	(720)	–
Available-for-sale financial assets	720	–
Intangible assets – goodwill	(1,064)	1,190
Decrease in non-current liabilities		
Promissory notes	1,064	–
Convertible notes	885	–
Increase in equity		
Profit for the year ended 31st March 2006	–	(1,190)
Convertible notes reserve	(885)	–

There is no effect on the consolidated balance sheet as at 31st March 2005.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Cost represents the purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Fixed assets *(Continued)*

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, on a straight-line basis, at the following annual rates:–

Land and buildings	2%
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicles	10% – 20%
Plant and machinery	10% – 20%
Toolings	20%

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis amongst the parts and each part is depreciated separately.

The gain or loss arising from the retirement or disposals of fixed assets, representing the difference between the estimated net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

(c) Available-for-sale financial assets

Other investments in investment securities are classified as available-for-sale financial assets and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment loss and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

An excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

(f) Taxation

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Accounts and other receivable

Accounts and other receivable, which generally have credit terms of not more than 90 days, except for certain well established customers, where the terms are extended to not more than 180 days, are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts. A provision of impairment of trade and other 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 and bad debts are written off as incurred.

(i) Financial assets at fair value through profit or loss

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

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months of maturity when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(k) Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the remaining lease liability. The corresponding lease obligations, net of finance charges, are included in non-current liabilities. The finance charges are charged to the income statements over the lease periods. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Leases *(Continued)*

Leases in which a significant portion of the risks and rewards of ownership of assets are retained by the lessor are accounted for as operating leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expenses in the income statement. The amortisation of the leasehold land and land use rights is capitalized under the relevant assets when the property on the leasehold land is under construction.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(l) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible notes is calculated as the present value of the future principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transactions costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(m) Promissory notes

Promissory notes are initially recognised at fair value and thereafter stated at amortised cost.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represent amounts receivable for services provided in the normal course of business, net of discount and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition *(Continued)*

(ii) Revenue from the sales of e-commerce platform systems is recognised when the customer accepts the installation and that the system is operating satisfactorily.

(iii) Revenue from provision of computer network setup service is recognised when the customer accepts the delivery and that the system is operating satisfactorily.

(iv) Revenue from provision of design and engineering services, when services are rendered.

(v) Interest income is recognised as it accrues using the effective interest method.

(o) Translation of foreign currencies

Transactions included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The functional and presentation currency of the Company is Hong Kong dollars ("HK$").

Transactions in foreign currency during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated into HK$ at exchange rate prevailing on the balance sheet date. Income and expense items are translated into Hong Kong dollars at the average exchange rate during the year. Exchange differences arising, if any, are dealt with in the exchange reserve.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(ii) Employee retirement benefits

The Group, other than the subsidiaries in the People's Republic of China ("PRC") operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme except for the Group's employer voluntary contributions, which will be refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

The PRC subsidiaries contributions to a local municipal government retirement scheme in the PRC are expensed as incurred while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(r) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, 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 recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

Segment assets consist primarily of fixed assets, other investments, inventories, trade and other receivables, tax refundable and operating bank balances and cash exclude corporate cash funds. Segment liabilities consist primarily of trade payables, tax payable and accrued charges and other payables. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the region where the customer is located. Total assets and capital expenditure are based on where the assets are located.

4. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank borrowings, convertible notes, promissory notes and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operation. The Group has various other financial assets and liabilities such as accounts receivables and accounts payable, which arise directly from its operations.

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

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, liquidity risk and fair value. The Group's policies for managing each of these risks are as follows:

(a) Cash flow interest rate risk

The Group is exposed to interest rate risks due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short term in nature whereas interest-bearing financing liabilities with primarily floating interest rates. The Group is therefore exposed to both fair value and cash flow interest rate risks. Currently, the Group does not have a hedging policy.

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the functional currency. The Group's main operating subsidiaries are located in Hong Kong and PRC and the Group's sales and purchases were mainly in HK$, Renminbi ("Rmb"), United States Dollars ("US$") and Euro. The Group does not expect significant movements in the exchange rates.

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may require. In addition, receivable balances are monitored on an ongoing basis by the management and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. Short term funding is obtained from overdraft facilities and trade financing facilities obtained from banks.

(e) Fair values

The carrying amount of the financial assets and liabilities in the financial statements approximates their fair values.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(b) Useful lives of fixed assets

Management determines the estimated useful lives and residual values for its fixed assets. Management will revise the depreciation charge where useful lives are different from previously estimated ones, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

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 assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that is probable that some portion or all of the deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(d) Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

6. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the internet appliance products segment provides internet appliances and related products;

(b) the e-commerce platform segment provides an e-marketplace for content providers and their users with features such as security enhancements and related services;

(c) the electronic devices and components segment provides power devices, magnetic and printed circuit board assembly; and

(d) the design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of assets.

6. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	**23,982**	36,872	**925**	1,992	**16,480**	–	**1,087**	–	**42,474**	38,864
RESULTS										
Segment results	**(4,957)**	(5,513)	**351**	(280)	**1,867**	–	**879**	–	**(1,860)**	(5,793)
Other revenue									**302**	5
Distribution costs									**(54)**	(626)
Administrative and other operating expenses									**(4,750)**	(3,251)
Provision for bad and doubtful debts									**–**	(3,093)
Loss from operating activities									**(6,362)**	(12,758)
Loss on disposals of fixed assets									**–**	(3,910)
Provision for impairment loss on other investments									**–**	(8,223)
Provision for impairment loss on available-for-sale financial assets									**(657)**	–
Finance costs									**(994)**	(219)
Loss before income tax									**(8,013)**	(25,110)
Income tax									**353**	1,841
Loss for the year									**(7,660)**	(23,269)

6. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
BALANCE SHEET										
ASSETS										
Segment assets	**6,708**	20,230	**–**	963	**46,376**	–	**14,050**	–	**67,134**	21,193
Unallocated assets									**60,036**	8,742
Total assets									**127,170**	29,935
LIABILITIES										
Segment liabilities	**71**	8,731	**–**	334	**10,259**	–	**–**	–	**10,330**	9,065
Unallocated liabilities									**95,810**	2,053
Total liabilities									**106,140**	11,118
Other segment information:										
Depreciation	**781**	782	**–**	–	**–**	–	**–**	–	**781**	782
Depreciation – unallocated									**591**	398
Capital expenditure									**–**	7,819
Capital expenditure – unallocated									**1,626**	9

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

A summary of the geographical segments as at 31st March 2006 is set out as follows:

	Turnover	Capital expenditure	Total assets
	HK$'000	*HK$'000*	*HK$'000*
Asia	27,348	1,626	99,962
United States of America ("USA")	9,105	–	12,776
United Kingdom ("UK")	2,795	–	2,456
Europe	2,428	–	6,627
Others	798	–	5,349
	42,474	1,626	127,170

7. TURNOVER

Turnover represents the net invoiced value of goods sold, after sales discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trading of internet appliances and related products	**24,926**	42,488
E-commerce platforms and related services	**925**	1,992
Trading and manufacturing of electronic devices and components	**16,480**	–
Design and engineering services	**1,087**	–
Less: Sales discounts	**(944)**	(5,616)
	42,474	38,864

8. OTHER REVENUE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest income	**108**	5
Exchange gain, net	**7**	–
Setup fee for computer networks and others	**203**	245
	318	250

9. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after crediting and charging the following:

	2006	2005
	HK$'000	*HK$'000*
Crediting:		
Interest income	**108**	5
Exchange gain, net	**7**	–
Charging:		
Auditors' remuneration	**359**	240
Amortisation of product development cost	**161**	–
Provision for bad and doubtful debts	**–**	3,093
Cost of inventories sold	**38,096**	42,035
Directors' remuneration	**300**	332
Depreciation of fixed assets	**1,372**	1,180
Impairment loss on fixed assets	**5,000**	–
Impairment loss on available-for-sale financial assets/other investments	**657**	8,223
Operating leases in respect of land and buildings	**456**	505
Research and development costs	**307**	2,085
Pension scheme contributions	**37**	127
Staff costs (excluding directors' remuneration)	**893**	2,421

Research and development costs include HK$177,000 (2005: HK$1,720,000) relating to staff costs and pension scheme contributions, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Research and development costs are included as "Other operating expenses" in the income statement.

10. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank overdrafts, loans and bills wholly repayable within five years	**952**	219
Interest on finance leases	**32**	–
Interest on other loans	**10**	–
	994	219

11. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

(a) Details of directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2006				2005
	Fees	**Salary, allowance and benefit in kind**	**Pension scheme contributions**	**Total**	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Executive Directors					
Wan Kin Chung (Appointed during the year)	**–**	**–**	**–**	**–**	–
Wong Tak Shing (Appointed during the year)	**–**	**–**	**–**	**–**	–
Cheng Kwong Chung (Appointed during the year)	**–**	**–**	**–**	**–**	–
Zhang Fulin (Resigned)	**–**	**–**	**–**	**–**	100
Li Ting (Resigned)	**–**	**–**	**–**	**–**	100
	–	**–**	**–**	**–**	200
Non-executive Directors					
Kwok Chi Sun Vincent (Appointed during the year)	**37**	**–**	**–**	**37**	–
Yeung Kam Yan (Appointed during the year)	**37**	**–**	**–**	**37**	–
Chan Wing Chiu (Appointed during the year)	**37**	**152**	**–**	**189**	–
Wong Hou Yan Norman (Appointed and resigned during the year)	**37**	**–**	**–**	**37**	–
Leung Wai Ling Wylie (Resigned during the year)	**–**	**–**	**–**	**–**	120
Gui Gan (Resigned during the year)	**–**	**–**	**–**	**–**	–
Guo Wen Hong (Resigned during the year)	**–**	**–**	**–**	**–**	12
	148	**152**	**–**	**300**	132
Total	**148**	**152**	**–**	**300**	332

11. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES *(Continued)*

(a) Details of directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows: *(Continued)*

The emoluments of the Directors of the Company fell within the following bands:

	Number of directors	
	2006	2005
Emolument band		
Nil to HK$1,000,000	**12**	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office (2005: Nil).

(b) The five highest paid employees during the year included no (2005: Nil) directors. Details of the remuneration of the five (2005: five) highest paid employees are set out as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**374**	1,307
Pension scheme contributions	**8**	60
	382	1,367

The emoluments of each of the above five highest paid employees fell within the band HK$Nil – HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2005: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2005: Nil).

12. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: Nil) on the estimated profits arising in Hong Kong during the year. Taxes 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, interpretation and practices in respect thereof.

The amount of income tax in the consolidated income statement represents:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current tax – provision for Hong Kong profits tax		
Current year	**148**	–
Over provision in prior years	**(278)**	(350)
Under provision in prior years	**10**	155
	(120)	(195)
Deferred tax		
Temporary differences *(Note 31)*	**(233)**	(1,646)
Tax credit for the year	**(353)**	(1,841)

The provision for the year can be reconciled from income tax based on the loss on the consolidated income statement as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Loss before income tax	**(8,013)**	(25,110)
Tax at the domestic tax rate of 17.5% (2005: 17.5%)	**(1,402)**	(4,394)
Effect of different tax rates of a subsidiary company operating in the PRC	**482**	32
Tax effect on non-deductible expenses	**750**	2,479
Tax effect of non-taxable revenue	**(568)**	–
Tax effect on accelerated depreciation allowance	**9**	11
Tax effect on unused tax losses not recognised	**644**	226
Over provision in the prior years	**(278)**	(350)
Under provision in the prior years	**10**	155
Tax credit for the year	**(353)**	(1,841)

Details of movement of the Group's deferred tax assets are set out in note 31 to the financial statements.

13. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31st March 2006 dealt with in the financial statements of the Company was HK$2,280,000 (2005: HK$50,000).

14. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2005: Nil).

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$7,649,000 (2005: HK$23,143,000) and on the weighted average number of 302,465,753 (2005: 300,000,000) ordinary shares of the Company, in issue during the year.

Diluted loss per share is not presented as the convertible notes had anti-dilutive effects on the basic loss per share.

16. FIXED ASSETS

Group

	Land and buildings	Tooling	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost/Carrying value								
At 1st April 2004	–	–	928	183	1,433	526	7,819	10,889
Exchange translation differences	–	–	(1)	(1)	(4)	(2)	–	(8)
Additions	–	–	–	–	9	–	7,819	7,828
Disposals	–	–	–	–	–	–	(7,819)	(7,819)
At 1st April 2005	–	–	927	182	1,438	524	7,819	10,890
Acquired on acquisition of subsidiaries	5,083	762	1,319	101	1,404	9	9,827	18,505
Additions	–	27	–	–	1,431	–	168	1,626
Impairment loss	–	–	–	–	–	–	(5,000)	(5,000)
Disposals	–	–	(272)	(90)	(935)	(524)	–	(1,821)
At 31st March 2006	5,083	789	1,974	193	3,338	9	12,814	24,200
Accumulated depreciation								
At 1st April 2004	–	–	716	102	634	108	130	1,690
Exchange translation differences	–	–	3	–	(3)	(2)	–	(2)
Charge for the year	–	–	49	34	268	47	782	1,180
At 1st April 2005	–	–	768	136	899	153	912	2,868
Charge for the year	29	18	67	23	235	33	967	1,372
Written back on disposals	–	–	(138)	(65)	(646)	(177)	–	(1,026)
At 31st March 2006	29	18	697	94	488	9	1,879	3,214
Net book value								
At 31st March 2006	5,054	771	1,277	99	2,850	–	10,935	20,986
At 31st March 2005	–	–	159	46	539	371	6,907	8,022

Notes:

(i) The Group's land and buildings are held under medium-term leases and are situated in Hong Kong.

(ii) Net book value of the Group's fixed assets held under finance leases (included in plant and machinery) as at 31st March 2006 amounted to HK$6,925,000 (2005: Nil).

(iii) As at 31st March 2006, the Group's land and buildings were all pledged to secure general banking facilities granted to the Group's subsidiaries.

(iv) As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of land and buildings as a finance lease in fixed assets in accordance with HKAS 17.

17. OTHER INVESTMENTS/AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent an investment in a company listed in Hong Kong.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity securities, at cost	**10,800**	10,800
Transfer from capital reserve account	**(1,200)**	(1,200)
Provision for impairment loss	**(8,880)**	(8,223)
At fair value	**720**	1,377

Provision for impairment loss as at 31st March 2006 amounting to HK$8,880,000 (2005: HK$8,223,000) is determined based on the market value of the shares listed in GEM as at 31st March 2006. Details of available-for-sale financial assets held by the Group as at 31st March 2006 are as follows:

Name	**Place of incorporation**	**Class of shares**	**Percentage holding**	**Nature of business**
MP Logistics International Holdings Limited	Cayman Islands	Ordinary	3%	Provision of logistics services

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**13,172**	13,172
Amounts due from subsidiaries	**50,001**	20,381
	63,173	33,553

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Details of subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
Smart Time Development Limited *(Note i)*	British Virgin Islands	US$800,000 Ordinary	100	–	Investment holding
Great Plan Group Limited *(Note iii)*	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
Internet Appliances (Hong Kong) Limited *(Note i)*	Hong Kong	HK$1,000,000 Ordinary	–	100	Trading of internet appliances
Shencai (Hong Kong) Holding Limited *(Note i)*	British Virgin Islands	US$10,000 Ordinary	–	100	Dormant
Innotech Development Limited *(Note i)*	British Virgin Islands	US$1,000 Ordinary	–	100	Holding of fixed assets
Global Form Limited *(Note i)*	British Virgin Islands	US$50,000 Ordinary	–	100	Investment holding
深圳毅興科技企業有限公司	PRC	HK$20,000,000	–	90	Provision of IOD system solutions
IA Enterprise Limited *(Note i)*	Hong Kong	HK$1,000,000 Ordinary	–	100	Trading of internet Appliances
Sunny Sky Investments Management Limited *(Note i)*	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
Union Bridge Group Limited *(Note ii)*	British Virgin Islands	US$3,750 Ordinary	–	100	Investment holding

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Details of subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/registered capital	Percentage of attributable equity interest Direct	Percentage of attributable equity interest Indirect	Principal activities
Union Bridge International Limited *(Note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Trading of electronic devices
Union Bridge Investment Limited *(Note ii)*	Hong Kong	HK$80,767 Ordinary	–	100	Investment holding and trading of electronic devices
Popbridge Industrial Limited *(Note ii)*	Hong Kong	HK$8,230,603 Ordinary	–	100	Investment holding and trading of electronic devices and provision of design and engineering services
Popbridge Manufacturing Limited *(Note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Investment holding and subcontracting of electronic devices
Dongguan Popbridge Electronic Co., Limited *(Note ii)*	PRC	HK$14,650,000	–	100	Manufacturing of electronic devices
Sun Bridge Group Limited *(Note ii)*	British Virgin Islands	US$1 ordinary	–	100	Investment holding
Sun Bridge Industrial Company Limited *(Note ii)*	Hong Kong	HK$10,000	–	100	Dormant
Popbridge Group Limited *(Note ii)*	British Virgin Islands	US$1 Ordinary	–	100	Dormant

Note i: The financial statements of the above companies for the year/period ended 31st March 2006 have been audited by Baker Tilly Hong Kong Limited.

Note ii: These companies were acquired during the year. The financial statements of these companies for the year/period ended 31st March 2006 have been audited by other auditors.

Note iii: The financial statements of this company for the period ended 31st March 2006 have been audited by other auditors.

19. INTANGIBLE ASSETS

	Goodwill	Group Product development costs	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1st April 2005	–	–	–
Acquisition of subsidiaries	14,483	10,382	24,865
Additions	–	833	833
At 31st March 2006	14,483	11,215	25,698
Accumulated amortisation			
At 1st April 2005	–	–	–
Charge for the year	–	161	161
At 31st March 2006	–	161	161
Net book value			
At 31st March 2006	14,483	11,054	25,537
At 31st March 2005	–	–	–

Notes:

(i) Goodwill is allocated to the group's cash-generating units ("CGU") identified according to the country of operation and business segment. As at 31st March 2006, These CGU are manufacturing and trading of electronic products in Asia, USA, UK and Europe. The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on the financial budgets covering a five-year period for CGU at a discount rate of 8.25% as approved by the directors. The directors believe that the possible changes in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the recoverable amount.

At 31st March 2006, the directors of the Group are of the opinion that there is no impairment of goodwill.

(ii) Product development costs are amortised on a straight-line basis over its estimated useful life of five years.

20. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**15,113**	–
Work in progress	**5,240**	–
Finished goods	**503**	–
	20,856	–

No inventories were carried at net realizable value as at 31st March 2006 (2005: Nil).

21. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable at the balance sheet date, based on the date of goods delivered, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**16,556**	3,430
31-60 days	**4,027**	2,421
61-90 days	**3,384**	6,324
91-120	**5,911**	–
Over 120 days	**3,785**	–
	33,663	12,175

Included in accounts receivable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	HK$'000	*HK$'000*
US$	**13,025**	–

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted investment, at fair value	**2,325**	–

23. ACCOUNTS PAYABLE

The aging analysis of accounts payable at the balance sheet date, based on the date of goods received, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**6,131**	405
31-60 days	**1,605**	–
61-90 days	**1,540**	136
91-120	**372**	–
Over 120 days	**682**	–
	10,330	541

Included in accounts payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	HK$'000	*HK$'000*
US$	**1,807**	–
Euro	**12**	–
Rmb	**56**	–
	1,875	–

24. BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000
Trust receipt loans, secured	7.75-8.0	2006	**33,687**	8,084
Bank overdraft, secured	9.75-10.0	on demand	**26,416**	–
Bank loans, secured	7.75	2008	**3,223**	–
Bank overdraft, unsecured			**132**	84
			63,458	8,168

At 31st March 2006, the bank borrowings were repayable as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Within 1 year or on demand	**62,413**	8,168
In the second to fifth years, inclusive	**1,045**	–
	63,458	8,168

The directors are of the opinion that the carrying amount of the Group's borrowings approximates their fair value.

At 31st March 2006, the Group's banking facilities with an aggregate amount of HK$76,724,000 (2005: HK$10,000,000), of which a total of HK$63,326,000 (2005: HK$8,084,000) were utilized, are secured and/or guaranteed by:

(i) legal charges on two (2005: Nil) residential properties situated in Hong Kong owned by one director of the subsidiary and an independent third party;

(ii) legal charges on the Group's land and buildings situated in Hong Kong with aggregate net book value of HK$5,054,000 (2005: Nil);

(iii) legal charges on all of the Group's pledged deposits and financial assets at fair value through profit or loss;

(iv) personal guarantees executed by two directors of the subsidiaries; and/or

(v) corporate guarantee executed by the Company and its subsidiary.

25. FINANCE LEASE PAYABLES

At 31st March 2006, the total future minimum lease payments under finance leases and their present values were as follows:

	Group			
	Minimum lease payment		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within 1 year or on demand	**2,651**	–	**2,368**	–
In the second to fifth years, inclusive	**2,727**	–	**2,592**	–
Total minimum finance lease payments	**5,378**	–	**4,960**	–
Future finance lease payables	**(418)**	–		
Total net finance lease payables	**4,960**	–		
Portion classified as current liabilities	**2,368**	–		
Portion classified as non-current liabilities	**2,592**	–		

26. OTHER LOANS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest bearing of 12% per annum	**215**	–
Non-interest bearing	**919**	–
Carrying amount of liabilities	**1,134**	–

These are unsecured and have no fixed terms of repayment.

27. CONVERTIBLE NOTES

On 20th March 2006, the Company issued the interest free convertible notes with a nominal value of HK$9,300,000 to an independent noteholder. The Company shall repay such principal outstanding under the Convertible notes to the noteholder up to and including the date falling on the second anniversary of the date of issue of the convertible notes. The noteholder has the right to convert the whole or any part of the principal amount of the convertible note into shares at any time and from time to time after six months from the date of issue of the convertible notes up to the date immediately prior to the maturity date.

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

The convertible notes recognized in the balance sheet are calculated as follows:

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Face value of convertible notes at the date of issue	**9,300**	–
Amount classified as equity component	**(885)**	–
Carrying amount of liabilities	**8,415**	–

28. PROMISSORY NOTES

On 20th March 2006, the Company issued the interest free promissory notes with a nominal value of HK$13,700,000 to an independent noteholder. The promissory note is unsecured and matures on 19th March 2008. The Company recorded a discount of HK$1,064,000 for the imputed interest on the notes, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory notes.

29. SHARE CAPITAL

(a) Shares

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	**100,000**	100,000
Issued and fully paid:		
375,000,000 (2005: 300,000,000) ordinary shares of HK$0.05 each	**18,750**	15,000

On 20th March 2006, the Company issued 75,000,000 shares of HK$0.05 each and credited as fully paid in consideration for acquisition of the entire equity interest in Union Bridge Group Limited. The premium of HK$5,250,000 over the par value of the shares has been credited to the share premium account.

(b) Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

At the balance sheet date, no share options had been granted under the Scheme.

30. RESERVES

The movements of reserves of the Group and Company are set out under the statement of changes in equity.

The contributed surplus of the Group arose as a result of the group reorganisation for the listing of the Company's shares on the GEM and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the group reorganisation, over the nominal value of Company's shares in exchange therefor.

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances.

31. DEFERRED TAX ASSETS, NET

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

The movements in deferred tax assets and liabilities are as follows:–

Deferred tax assets

	Accelerated tax depreciation	Tax losses	Group Product development costs	Allowance for inventories	Total
	HK$'000	*HK$'000*			*HK$'000*
At 1st April 2004	–	–	–	–	–
Credit/(charge) to income statement *(Note 12)*	(37)	1,683	–	–	1,646
At 1st April 2005	(37)	1,683	–	–	1,646
Acquisition of subsidiaries	(492)	1,192	(2,101)	180	(1,221)
Credit/(charge) to income statement *(Note 12)*	(82)	120	167	28	233
At 31st March 2006	(611)	2,995	(1,934)	208	658

Deferred tax assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred tax relates to the same authority. The above assets shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts.

32. OPERATING LEASE COMMITMENTS

During the year, the Group leased certain of its office properties under operating lease commitments which are negotiated for terms ranging 12 months to 24 months.

At 31st March 2006 the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**621**	84
In the second to fifth years, inclusive	**–**	–
	621	84

33. COMMITMENTS

The Group had the following capital commitment at the balance sheet date.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for in respect of acquisition of fixed assets	**700**	–

34. CONTINGENT LIABILITIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Guarantee provided to the subsidiaries for their utilised banking facilities at the balance sheet date	**–**	8,084

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,343,000 as at 31st March 2006. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

35. POST BALANCE SHEET EVENTS

(a) On 4th May 2006, the Company granted 30,000,000 share options to its directors, employees and consultants. On 8th May 2006, these share options were exercised by the holders, thereof creating an additional 30,000,000 shares in issue at that date. The total issued shares therefore increased from 375,000,000 to 405,000,000.

(b) On 1st June 2006, the Company entered into a conditional placing agreement with a placing agent pursuant to which a placing agent will place up to 60,000,000 new shares at HK$0.30 per share. On 16th June 2006, the placing has been completed, thereof an additional 60,000,000 shares in issue at the date. The total issued shares therefore increased from 405,000,000 to 465,000,000.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26th June 2006.