

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have sold or transferred all your shares in Union Bridge Holdings Limited (the "Company"), you should at once hand this prospectus with the accompanying application forms to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

If you are in any doubt as to any aspect about this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of this prospectus, together with copies of the application form and the form of application for excess Offer Shares (as defined herein), have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and will be filed with the Registrar of Companies in Bermuda as required under Section 26 of the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of these documents.

Dealings in the Shares (as defined herein) may be settled through CCASS (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

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

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.


UNIONBRIDGE
UNION BRIDGE HOLDINGS LIMITED
聯僑集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 8047)

**OPEN OFFER OF 318,472,500 OFFER SHARES
AT HK\$0.06 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR
EVERY TWO SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION**

Financial adviser to the Company



**博大資本國際有限公司
Partners Capital International Limited**

Underwriter



**博大資本證券有限公司
Partners Capital Securities Limited**

The latest time for acceptance and payment for the Offer Shares is 4:00 p.m. on Friday, 23 February 2007. The procedures for acceptance of the Offer Shares are set out on pages 19 to 20 of this prospectus.

If, prior to the Latest Time for Termination (as defined herein) (provided that if the date of the Latest Time for Termination shall be a business day on which a Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter (as defined herein), the success of the Open Offer (as defined herein) would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group (as defined herein) as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or (as defined herein) prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus (as defined herein) and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Open Offer; (as defined herein) or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement (as defined herein) or the Prospectus Documents (as defined herein) or other announcements or circulars in connection with the Open Offer.

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement (as defined herein).

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

Shareholders (as defined herein) should note that the Shares (as defined herein) have been dealt in on an ex-entitlement basis commencing from Wednesday, 31 January 2007 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Wednesday, 28 February 2007) will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

7 February 2007

* For identification purpose only

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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. GEM-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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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EXPECTED TIMETABLE

The expected timetable of the Open Offer is set out below:

2007

| | |
|------------------------------------------------------------------------------------|------------------------------------------------|
| Last day of dealings in Shares on a cum-entitlement basis | Tuesday, 30 January |
| First day of dealings in Shares on an ex-entitlement basis | Wednesday, 31 January |
| Latest Lodging Date | 4:30 p.m. on Thursday, 1 February |
| Register of members of the Company closes (both dates inclusive) | Friday, 2 February to Wednesday, 7 February |
| Record Date | Wednesday, 7 February |
| Despatch of the Prospectus Documents | Wednesday, 7 February |
| Register of members re-opens | Thursday, 8 February |
| Latest time for acceptance of, and payment for, the Open Offer | 4:00 p.m. on Friday, 23 February |
| Latest Time for Termination | 4:00 p.m. on Wednesday, 28 February |
| Expected time for the Open Offer to become unconditional | 4:00 p.m. on Wednesday, 28 February |
| Announcement of results of the Open Offer on the Stock Exchange's website | Thursday, 1 March |
| Certificates for the Offer Shares to be dispatched on or before | Friday, 2 March |
| Despatch of refund cheques in respect of excess unsuccessful applications | Friday, 2 March |
| Dealings in fully-paid Offer Shares commence on | Tuesday, 6 March |

All times stated in this prospectus refer to Hong Kong times. Dates stated in this prospectus for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Open Offer will be announced as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

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

- a tropical cyclone warning signal number 8 or above, or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 23 February 2007. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same business day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 23 February 2007. Instead the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on Friday, 23 February 2007, the dates mentioned in the section headed “Expected timetable” in this prospectus may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a Storm Warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

DEFINITIONS

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

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| “Announcement” | the announcement of the Company dated 16 January 2007 in relation to the Open Offer |
| “Application Form(s)” | the form of application for use by the Qualifying Shareholders to apply for the Offer Shares |
| “associates” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Board” | the board of Directors |
| “business day” | any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Company” | Union Bridge Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM |
| “Convertible Notes” | the convertible notes with an outstanding principal amount of HK\$9,300,000 conferring rights to subscribe a total of 48,947,368 Shares (subject to board lot size adjustment) on the basis of an exercise price of HK\$0.19 per Share (subject to adjustment) |
| “Conversion Shares” | the Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes |
| “Directors” | directors of the Company from time to time |
| “Excess Application Form(s)” | the form of application for excess Offer Shares |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

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|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Latest Lodging Date” | being 4:30 p.m. on Thursday, 1 February 2007 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of the Shares and/or exercising the Convertible Notes in order to qualify for the Open Offer |
| “Latest Practicable Date” | 2 February 2007, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein |
| “Latest Time for Termination” | 4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement |
| “Mr. Cheng” | Mr. Cheng Kwong Chung, an executive Director |
| “Mr. Lau” | Mr. Lau Kim Hung, Jack, the sole beneficial owner of Starryland |
| “Mr. Lo” | Mr. Lo Ka Tong, an executive Director |
| “Mr. Hsu” | Mr. Hsu Tung Sheng, a director of two subsidiaries of the Company, namely Media Magic Technology Limited and Multi Channel Technology Limited |
| “Mr. Wan” | Mr. Wan Kin Chung, an executive Director and the chairman of the Company |
| “Mr. Wong” | Mr. Wong Tak Shing, an executive Director |
| “Offer Share(s)” | 318,472,500 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus |
| “Open Offer” | the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents |
| “Overseas Shareholders” | Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong |

DEFINITIONS

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|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “PCSL” or “Underwriter” | Partners Capital Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO |
| “PRC” | the People’s Republic of China, which for the purpose of this prospectus excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Prohibited Shareholder(s)” | those Overseas Shareholders to whom the Company considers them necessary or expedient not to offer the Offer Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside |
| “Prospectus” | this prospectus containing details of the Open Offer |
| “Prospectus Documents” | the Prospectus, the Application Form and the Excess Application Form |
| “Prospectus Posting Date” | 7 February 2007 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents |
| “Qualifying Shareholders” | Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders |
| “Record Date” | 7 February 2007 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer |
| “Registrar” | Tengis Limited, branch share registrar and transfer office of the Company in Hong Kong located at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.05 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Starryland” | Starryland Profits Limited, a company incorporated in the British Virgin Island and is wholly and beneficially owned by Mr. Lau |

DEFINITIONS

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|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.06 per Offer Share |
| “UBPSL” | Union Bridge Power Systems Limited, a company incorporated in the Cayman Islands, a substantial Shareholder |
| “Undertaking Directors” | Mr. Wan, Mr. Wong, Mr. Cheng and Mr. Lo |
| “Underwriting Agreement” | the underwriting agreement between the Company and the Underwriter dated 12 January 2007 in relation to the Open Offer |
| “Underwritten Shares” | 118,125,000 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up by UBPSL, Starryland, Mr. Hsu, the Undertaking Directors and Rich Regent Inc. pursuant to the Underwriting Agreement and the undertaking letters by each of UBPSL, Starryland, Mr. Hsu, the Undertaking Directors and Rich Regent Inc. |
| “Union Bridge Group” | Union Bridge Group Limited and its subsidiaries |
| “HK\$” | Hong Kong dollars |
| “%” | per cent. |

LETTER FROM THE BOARD


UNIONBRIDGE
UNION BRIDGE HOLDINGS LIMITED
聯僑集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 8047)

Executive Directors:

Mr. Wan Kin Chung (*Chairman*)
Mr. Wong Tak Shing (*Deputy Chairman*)
Mr. Lo Ka Tong
Mr. Cheng Kwong Chung
Mr. Chan Hin Wing, James

Independent non-executive Directors:

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Chan Wing Chiu

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

7 February 2007

To the Shareholders

Dear Sir or Madam,

**OPEN OFFER OF 318,472,500 OFFER SHARES
AT HK\$0.06 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR
EVERY TWO SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION**

INTRODUCTION

The Directors announced on 16 January 2007 that the Company proposed to raise approximately HK\$19.11 million before expenses, by an open offer of 318,472,500 Offer Shares at a subscription price of HK\$0.06 per Offer Share, payable in full on application, on the basis of one Offer Share for every two Shares held on Record Date. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer will not be extended to the Prohibited Shareholders.

* For identification purpose only

LETTER FROM THE BOARD

This prospectus sets out the details of the Open Offer, including information on dealings and application of the Offer Shares, and certain financial and other information of the Group.

OPEN OFFER

Issue statistics

| | |
|----------------------------|-------------------------------------------------------------------------------------------------|
| Basis of the Open Offer: | One Offer Share for every two Shares held on the Record Date and payable in full on application |
| Number of Shares in issue: | 636,945,000 Shares as at the Latest Practicable Date |
| Number of Offer Shares: | 318,472,500 Offer Shares |
| Subscription Price: | HK\$0.06 per Offer Share payable in full on application |

As at the date of the Announcement, the Company had 48,947,368 Conversion Shares (subject to board lot size adjustment) to be issued and allotted pursuant to conversion of the Convertible Notes on the basis of an exercise price of HK\$0.19 per Share (subject to adjustment). Pursuant to the undertaking letter from UBPSL dated 12 January 2007, UBPSL has irrevocably undertaken to the Company and the Underwriter to exercise in full all the conversion rights as attached to the Convertible Notes on or before the Latest Lodging Date. Pursuant to the note instrument constituting the Convertible Notes, the number of Shares to be issued upon full conversion of the Convertible Notes would be 48,945,000 Shares (in whole board lots) and the odd lot of 2,368 Shares would be settled in cash at HK\$0.19 per Share. On 24 January 2007, UBPSL has exercised its conversion rights attaching to the Convertible Notes in full and 48,945,000 Shares have been allotted and issued to UBPSL on 25 January 2007. As at the Latest Practicable Date, the total number of Shares in issue is 636,945,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company does not have any outstanding derivatives, share options, warrants or securities in issue which are convertible or exchangeable into Shares and has no intention to issue any new Shares or any of the above securities before the latest time for acceptance.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.06 per Offer Share will be payable in full upon application for the Offer Shares and (where applicable) application for excess Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of 76% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on 12 January 2007, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares;
2. a discount of approximately 76.19% to the average of the closing prices of HK\$0.252 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including 12 January 2007;
3. a discount of approximately 76.14% to the average of the closing prices of HK\$0.2515 per Share quoted on the Stock Exchange for the ten consecutive trading days up to and including 12 January 2007;
4. a discount of approximately 67.86% to the theoretical ex-rights price of approximately HK\$0.1867 based on the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on 12 January 2007; and
5. a discount of 75% to the closing price of HK\$0.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the recent market price of the Shares under the relatively low prevailing market condition for the Shares. As (i) the Subscription Price was determined with reference to the low liquidity of the Shares in the market as indicated by the average daily trading volume of approximately 374,000 Shares for the last 30 consecutive trading days up to and including 12 January 2007, representing approximately 0.064% of the issued share capital of the Company as at the date of the Announcement; (ii) the Qualifying Shareholders are offered a chance to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro-rata shareholdings in the Company; and (iii) the Open Offer allows existing Shareholders to benefit from the future business growth of the Company, the Directors (including the independent non-executive Directors) consider the terms of the Open Offer to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, the Shareholders must be registered as members of the Company as at the close of business on the Record Date and not be a Prohibited Shareholder.

LETTER FROM THE BOARD

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Thursday, 1 February 2007.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The register of members of the Company has been closed from Friday, 2 February 2007 to Wednesday, 7 February 2007, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares has been registered during this period.

Rights of Overseas Shareholders and Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders, if any. To determine the identities of the Prohibited Shareholders and in compliance with the relevant GEM Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries pursuant to Rule 17.41 of the GEM Listing Rules. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms or Excess Application Forms to the Prohibited Shareholders.

Having reviewed the register of members of the Company, as at the Latest Practicable Date, the Company noted that no Shareholders have maintained addresses located outside Hong Kong. Hence no Shareholders will be excluded from the Open Offer.

Application for excess Offer Shares

Under the Open Offer, Qualifying Shareholders may apply for any unsold entitlements of the Prohibited Shareholders and any Offer Shares not taken up by the Qualifying Shareholders. Application can be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied for.

The Directors (including the independent non-executive Directors) will allocate the excess Offer Shares at their discretion and on a fair and equitable basis by reference to the number of excess Offer Shares applied for by each Qualifying Shareholder, but will give preference to topping up odd lots to whole board lots.

LETTER FROM THE BOARD

Shareholders with Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Offer Shares will not be extended to the ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the ultimate beneficial owner(s) to increase their chance of allotment of the excess Offer Shares prior to the Record Date.

Status of the Offer Shares

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

Share certificates for the fully paid Offer Shares and refund cheques

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer” below, every Qualifying Shareholder will receive one share certificate for all fully-paid Offer Shares and refund cheques in respect of wholly or partially unsuccessful excess applications (if any) are expected to be posted on or before Friday, 2 March 2007 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risks.

Fractions of Offer Shares

Fractional entitlements of Offer Shares will not be allotted and will be aggregated. Any Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriter and/or the Qualifying Shareholders who have applied for the excess Offer Shares.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

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

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date: 12 January 2007

Underwriter: PCSL

the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares: 318,472,500 Offer Shares

Number of Underwritten Shares: 118,125,000 Offer Shares

Commission: an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the Underwritten Shares

As the underwriting commission payable to the Underwriter (i) was determined after arm's length negotiations between the Company and the Underwriter; (ii) is on normal commercial terms; and (iii) is comparable with market rate, the Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement (including but not limited to the underwriting commission) to be fair and reasonable and the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.

Undertakings

As at the date of the Announcement, UBPSL is interested in 75,000,000 Shares and HK\$9,300,000 Convertible Notes, conferring its rights to convert into 48,947,368 Shares upon full conversion of the Convertible Notes (subject to board lot size adjustment). Pursuant to the undertaking letters from UBPSL dated 12 January 2007, UBPSL has irrevocably undertaken to the Company and the Underwriter (i) to exercise in full all the conversion rights as attached to the Convertible Notes on or before the Latest Lodging Date; and (ii) to subscribe for the 61,972,500 Offer Shares to which UBPSL is entitled under the Open Offer. As at the Latest Practicable Date, UBPSL has exercised its conversion rights attaching to the Convertible Notes in full and 48,945,000 Shares have been allotted and issued, as such UBPSL is interested in 123,945,000 Shares.

As at the date of the Latest Practicable Date, Starryland, which is wholly and beneficially owned by Mr. Lau, is interested in 202,500,000 Shares. Pursuant to the undertaking letter from Starryland dated 12 January 2007, Starryland has irrevocably undertaken to the Company and the Underwriter to subscribe for the 101,250,000 Offer Shares to which Starryland is entitled under the Open Offer.

As at the date of the Latest Practicable Date, Mr. Hsu is interested in 30,000,000 Shares. Pursuant to the undertaking letter from Mr. Hsu dated 12 January 2007, Mr. Hsu has irrevocably undertaken to the Company and the Underwriter to subscribe for the 15,000,000 Offer Shares to which Mr. Hsu is entitled under the Open Offer.

LETTER FROM THE BOARD

As at the date of the Latest Practicable Date, Mr. Wan is interested in 300,000 Shares. Pursuant to the undertaking letter from Mr. Wan dated 12 January 2007, Mr. Wan has irrevocably undertaken to the Company and the Underwriter to subscribe for the 150,000 Offer Shares to which Mr. Wan is entitled under the Open Offer.

As at the date of the Latest Practicable Date, Mr. Wong is interested in 3,450,000 Shares. Pursuant to the undertaking letter from Mr. Wong dated 12 January 2007, Mr. Wong has irrevocably undertaken to the Company and the Underwriter to subscribe for the 1,725,000 Offer Shares to which Mr. Wong is entitled under the Open Offer.

As at the date of the Latest Practicable Date, Mr. Cheng is interested in 3,750,000 Shares. Pursuant to the undertaking letter from Mr. Cheng dated 12 January 2007, Mr. Cheng has irrevocably undertaken to the Company and the Underwriter to subscribe for the 1,875,000 Offer Shares to which Mr. Cheng is entitled under the Open Offer.

As at the date of the Latest Practicable Date, Mr. Lo is interested in 3,750,000 Shares. Pursuant to the undertaking letter from Mr. Lo dated 12 January 2007, Mr. Lo has irrevocably undertaken to the Company and the Underwriter to subscribe for the 1,875,000 Offer Shares to which Mr. Lo is entitled under the Open Offer.

As at the date of the Latest Practicable Date, Rich Regent Inc. is interested in 33,000,000 Shares. Pursuant to the undertaking letter from Rich Regent Inc. dated 12 January 2007, Rich Regent Inc. has irrevocably undertaken to the Company and the Underwriter to subscribe for the 16,500,000 Offer Shares to which Rich Regent Inc. is entitled under the Open Offer.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a Storm Warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

LETTER FROM THE BOARD

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

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CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (2) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by either all Directors or one of the Directors for and on behalf of all the Directors in compliance with the Companies Act 1981 of Bermuda on or as soon as reasonably practicable after the Prospectus Posting Date;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings of the Offer Shares on the Stock Exchange; and
- (5) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms.

Up to the Latest Practicable Date, none of the above conditions have been fulfilled.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

The Underwriter may at any time by notice in writing to the Company waive the conditions precedent set out in clause (5) above. Save and except the conditions precedent set out in clause (5) above, the other conditions precedent are incapable of being waived. If the conditions precedent are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

The Shareholders should note that the Shares has been dealt with on an ex-entitlement basis commencing from Wednesday, 31 January 2007 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Wednesday, 28 February 2007), will accordingly bear the risks that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer:

| | As at the Latest Practicable Date | | Immediately following completion of the Open Offer on the assumption as set out in Note 1 | | Immediately following completion of the Open Offer on the assumption as set out in Note 2 | |
|------------------------------|--------------------------------------|---------------|-------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------|---------------|
| | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| Starryland (Note 3) | 202,500,000 | 31.79 | 303,750,000 | 31.79 | 303,750,000 | 31.79 |
| UBPSL (Note 4) | 123,945,000 | 19.46 | 185,917,500 | 19.46 | 185,917,500 | 19.46 |
| Mr. Wan (Note 5) | 300,000 | 0.05 | 450,000 | 0.05 | 450,000 | 0.05 |
| Mr. Wong (Note 5) | 3,450,000 | 0.54 | 5,175,000 | 0.54 | 5,175,000 | 0.54 |
| Mr. Cheng (Note 5) | 3,750,000 | 0.59 | 5,625,000 | 0.59 | 5,625,000 | 0.59 |
| Mr. Lo (Note 5) | 3,750,000 | 0.59 | 5,625,000 | 0.59 | 5,625,000 | 0.59 |
| Mr. Hsu (Note 6) | 30,000,000 | 4.71 | 45,000,000 | 4.71 | 45,000,000 | 4.71 |
| Underwriter (Note 7) | – | – | – | – | 118,125,000 | 12.36 |
| Public Shareholders: | | | | | | |
| Rich Regent Inc. (Note 8) | 33,000,000 | 5.18 | 49,500,000 | 5.18 | 49,500,000 | 5.18 |
| Other public Shareholders | 236,250,000 | 37.09 | 354,375,000 | 37.09 | 236,250,000 | 24.73 |
| | 269,250,000 | 42.27 | 403,875,000 | 42.27 | 285,750,000 | 29.91 |
| Total | <u>636,945,000</u> | <u>100.00</u> | <u>955,417,500</u> | <u>100.00</u> | <u>955,417,500</u> | <u>100.00</u> |

LETTER FROM THE BOARD

Notes:

1. Assuming all Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
2. Assuming none of the Qualifying Shareholders (saved as Starryland, UBPSL, Mr. Hsu, Rich Regent Inc., Mr. Wan, Mr. Wong, Mr. Cheng and Mr. Lo who have undertaken to subscribe for its pro-rata entitlement to Offer Shares in full under the Open Offer) take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriter will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.
3. Starryland is a company wholly and beneficially owned by Mr. Lau who does not hold any positions in the Group.
4. UBPSL, a company is beneficially owned as to 51.82% by Mr. Lo and Ms. Cheng Pui Ping collectively and as to 48.18% by 12 individual and corporate owners.
5. Mr. Wan, Mr. Wong, Mr. Cheng and Mr. Lo are executive Directors.
6. Mr. Hsu is a director of two subsidiaries of the Company, namely Media Magic Technology Limited and Multi Channel Technology Limited.
7. The Underwriter confirmed that it has sub-underwritten 30,000,000 Offer Shares, 30,000,000 Offer Shares, 30,000,000 Offer Shares and 28,125,000 Offer Shares respectively (representing approximately 3.14%, 3.14%, 3.14% and 2.94% of the enlarged issued share capital of the Company immediately following completion of the Open Offer) to four individuals who are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).
8. Rich Regent Inc., a company beneficially and wholly owned by Mr. Ng Sze Hoi, Danny, is beneficially interested in 33,000,000 Shares pursuant to 33,000,000 warrants held by it which had been fully exercised before the date of the Announcement, have undertaken to subscribe for the 16,500,000 Offer Shares. Save as Rich Regent Inc. being the warrant holder of the Company before exercise in full the 33,000,000 warrants, both Rich Regent Inc. and Mr. Ng Sze Hoi, Danny have no relationship with the Group and do not hold any positions in the Group.

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FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of the Announcement, the Company has conducted the following fund raising activities:

1. The placing of 60,000,000 new shares at a placing price of HK\$0.30 per Share as stated in the announcement of the Company dated 2 June 2006. The net proceeds from such placing of approximately HK\$17.1 million were intended to be used as to approximately HK\$12 million towards future development of the Group and as to approximately HK\$5.1 million towards general working capital of the Group. As at the Latest Practicable Date, the Company has applied as intended (i) approximately HK\$10 million for the consideration for the acquisition of 20% of the shareholding interests of a business engaged in provision of mobile value-added service business in the PRC as disclosed in the announcement of the Company dated 22 August 2006 and circular of the Company dated 7 September 2006; (ii) approximately HK\$2 million for future development of the Group, i.e. payment for the capital expenditure of the Group; and (iii) approximately HK\$5.1 million for general working capital of the Group.
2. The private placing of 93,000,000 non-listed warrants at an issue price of HK\$0.015 per warrant and a subscription price of HK\$0.15 per new Share as stated in the announcement of the Company dated 13 October 2006. Upon the full exercise of the subscription rights attaching to the warrants and taking into account of the net proceeds from the warrant placing, the Company would receive gross proceeds of approximately HK\$13.95 million. The net proceeds from the warrant placing of approximately HK\$1.1 million were intended to be applied as general working capital of the Group and any proceeds from the issue of new Shares upon full exercise of the subscription rights attaching to the warrants will be applied for investments or future development of the Group, including but not limited to further investments in the mobile value-added service business in the PRC. As at the Latest Practicable Date, the net proceeds from warrant placing of HK\$1.1 million had been utilized as general working capital of the Group. As at the Latest Practicable Date, the Company has received gross proceeds of approximately HK\$13.95 million from the full exercise of rights attached to the warrants. Out of the gross proceeds, HK\$3 million has been utilized for the repayment of the promissory note issued by the Company in favour of Mr. Hsu on 5 January 2007 while the remaining balance has not been utilized as at the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the research, development and provision of information-on-demand system solutions and the provision of related products and services; the trading and manufacturing of electronics devices and components and the provision of a full range of design and engineering services to high-end brand-named users in the industry as well as the provision of diversified mobile value-added services of the telecommunication business sector in the PRC. The Group will continue its existing principal business activities and has no intention to change its existing principal businesses.

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As mentioned in the 2005-2006 annual report of the Company, the Group recorded an increase in approximately 9.3% of its turnover for the year ended 31 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 in 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 in 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 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. 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.

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

The Group recorded a gross profit for the year ended 31 March 2006 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 31 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.

As disclosed in the 2006-2007 interim report of the Company, after the acquisition of the Union Bridge Group in March 2006, the trading and manufacturing of electronic devices and components as well as the provision of full range of design and engineering services contribute significantly to the turnover of the Group, which compensates the decrease in sales of internet appliances and related product and services fee from provision of services in relation to e-commerce platform and related services due to the intense competitive environment in electronic business. Going forward, the Group will look for other opportunities to diversify its revenue base, explore new markets and develop new products as well as explore investment opportunities so as to optimize the shareholders' value.

Subsequent to a series of acquisition in the financial year ended 31 March 2006, the financial performance of the Group has been improving as reflected in the six months results ended 30 September 2006 of the Group which has demonstrated a turn-around from loss-making of approximately HK\$1.3

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million in the same period in 2005 to approximately HK\$0.8 million profit for the six months ended 30 September 2006. Leveraging on its improved financial performance as well as the acquisition and investment strategy, the Group decided to equip itself with a better financial position and to raise funds for any possible future investments.

As disclosed in the announcement of the Company dated 22 August 2006, on 22 August 2006, Upper Power Limited, a wholly-owned subsidiary of the Company had completed the subscription and acquisition of 20% of issued share capital of Media Magic Technology Limited which would be principally engaged in the provision of diversified mobile value-added services, including but not limited to, the provision of mobile online games, patented popular electronic cartoon characters and animation series download etc, for mobile phone users in the PRC through franchising and cooperation with telecommunication business licensed providers.

As disclosed in the announcement of the Company 27 October 2006, on 27 October 2006, upon the completion of the warrant placing agreement, 93,000,000 warrants of the Company had been issued to Rich Regent Inc. at issue price of HK\$0.015 per warrant and subscription price of HK\$0.15 per warrant.

As disclosed in the announcement of the Company 5 January 2007, on 5 January 2007, upon the completion of the sale and purchase agreement, the Company holds indirectly 51% equity interests in Media Magic Technology Limited and that Media Magic Technology Limited becomes a subsidiary of the Company. The accounts of Media Magic Technology Limited and PalmyPay Technology Co. Ltd. (北京互聯視通科技有限公司) will then be consolidated with that of the Group. Accordingly, the Directors believe that the acquisition of the Media Magic Technology Limited and PalmPay Technology Co. Ltd. will enable the Group to capture potential opportunities in the booming mobile phone market in the PRC and to achieve business growth for the Group.

REASONS OF THE OPEN OFFER

The Board (including the independent non-executive Directors) therefore considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board (including the independent non-executive Directors) is of the view that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$17.50 million, of which approximately HK\$12 million will be applied towards the expansion of the existing businesses of the Group and repayment of long-term liabilities of the Group, approximately HK\$2 million towards general working capital of the Group and the remaining balance of approximately HK\$3.5 million will be applied towards future investments in the mobile value-

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added service business of the telecommunication sector in the PRC, if appropriate opportunity arises. In the event that no appropriate investment opportunity is identified by the Group, the remaining balance will be retained by the Group for general working capital purpose. As at the Latest Practicable Date, the Company has yet to identify any potential investment projects.

The expenses in connection with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.61 million and will be payable by the Company.

PROCEDURES FOR ACCEPTANCE OF THE OFFER SHARES

An Application Form and an Excess Application Form are enclosed with the Prospectus which entitles you to accept any number of Offer Shares allocated to you based on your shareholding as at the Record Date. Qualifying Shareholders should note that in addition to their pro rata assured allotment, Qualifying Shareholders will be able to apply for excess Offer Shares at the Subscription Price which are not taken up by other Qualifying Shareholders and any entitlements of the Prohibited Shareholders. If you are a Qualifying Shareholder and you wish to take up your entitlement of Offer Shares as specified in the enclosed Application Form or apply for excess Offer Shares as specified in Excess Application Form or you wish to take up any number less than your assured entitlement, you must complete, sign and lodge the Application Form and/or Excess Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares you have accepted with the Registrar by not later than 4:00 p.m. on Friday, 23 February 2007. All remittance must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Union Bridge Holdings Limited – Open Offer PAA" and crossed "Account Payee Only" for application of Offer Shares under assured allotment and if applicable, made payable to "Union Bridge Holdings Ltd – Open Offer EAA" and crossed "Account Payee Only" for application of excess Offer Shares.

It should be noted that unless the Application Form and/or Excess Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Friday, 23 February 2007 that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions or the excess applications are unsuccessful, the (relevant part of) subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholders named on the Application Form (or in the case of joint Shareholders, to the first named Shareholder) and crossed "Account Payee Only", through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company on or before Friday, 2 March 2007.

The Application Form contains full information regarding the procedures to be followed if you wish to accept only part of your assured entitlements under the Open Offer.

The Excess Application Form contains full information regarding the procedures to be followed if you wish to apply for excess Offer Shares in addition to your assured entitlements under the Open Offer.

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All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Any Application Form and/or Excess Application Form in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form and the Excess Application Form are for use only by the person(s) named therein and are not transferable.

No receipt will be issued in respect of any subscription monies for the Offer Shares received.

GENERAL

Your attention is drawn to the information contained in the appendices to this prospectus.

On behalf of the Board
Union Bridge Holdings Limited
Wan Kin Chung
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

The following table summaries the results, assets and liabilities for each of the three years ended 31 March 2006 as extracted from the relevant published financial statements of the Group:

RESULTS

| | For the year ended 31 March | | |
|-----------------------------------------|-----------------------------|------------------|------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
| TURNOVER | <u>42,474</u> | <u>38,864</u> | <u>96,804</u> |
| (LOSS)/PROFIT FROM OPERATING ACTIVITIES | (1,362) | (12,758) | 2,774 |
| (LOSS)/PROFIT BEFORE INCOME TAX | (8,013) | (25,110) | 2,752 |
| Income tax | <u>353</u> | <u>1,841</u> | <u>(1,221)</u> |
| (LOSS) FOR THE YEAR | <u>(7,660)</u> | <u>(23,269)</u> | <u>1,531</u> |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the Company | (7,649) | (23,143) | 1,532 |
| Minority interests | <u>(11)</u> | <u>(126)</u> | <u>(1)</u> |
| (LOSS)/PROFIT FOR THE YEAR | <u>(7,660)</u> | <u>(23,269)</u> | <u>1,531</u> |

ASSETS AND LIABILITIES

| | As at 31 March | | |
|-------------------------|------------------|--------------------------------|--------------------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 (restated) | 2004 HK\$'000 (restated) |
| NON-CURRENT ASSETS | 47,901 | 11,045 | 19,999 |
| CURRENT ASSETS | <u>79,269</u> | <u>18,890</u> | <u>34,433</u> |
| TOTAL ASSETS | <u>127,170</u> | <u>29,935</u> | <u>54,432</u> |
| CURRENT LIABILITIES | 81,281 | 11,118 | 11,065 |
| NON-CURRENT LIABILITIES | <u>24,859</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>106,140</u> | <u>11,118</u> | <u>11,065</u> |
| TOTAL EQUITY | <u>21,030</u> | <u>18,817</u> | <u>43,367</u> |

For the three years ended 31 March 2006, the auditors reports of the Company were not qualified.

2. AUDITED FINANCIAL STATEMENTS

Set out below is the audited financial information of the Group for the two years ended 31 March 2006 as extracted from the annual report 2006 of the Company.

Consolidated Profit and Loss Account

For the year ended 31 March 2006

| | <i>Notes</i> | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
|-------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------|
| 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 | | <u>(7,660)</u> | <u>(23,269)</u> |
| ATTRIBUTABLE TO: | 13 | | |
| Equity holders of the Company | | (7,649) | (23,143) |
| Minority interests | | (11) | (126) |
| LOSS FOR THE YEAR | | <u>(7,660)</u> | <u>(23,269)</u> |
| DIVIDENDS | 14 | <u>–</u> | <u>–</u> |
| LOSS PER SHARE | 15 | | |
| – Basic | | HK cent (2.53) | HK cent (7.71) |
| – Diluted | | <u>N/A</u> | <u>N/A</u> |

Consolidated Balance Sheet*As at 31 March 2006*

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

| | <i>Notes</i> | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> (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 | – |
| | | <u>24,859</u> | <u>–</u> |
| NET ASSETS | | <u><u>21,030</u></u> | <u><u>18,817</u></u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | 29 | 18,750 | 15,000 |
| Reserves | 30 | 292 | 1,818 |
| | | <u>19,042</u> | <u>16,818</u> |
| MINORITY INTERESTS | | <u>1,988</u> | <u>1,999</u> |
| TOTAL EQUITY | | <u><u>21,030</u></u> | <u><u>18,817</u></u> |

Balance Sheet of the Company*As at 31 March 2006*

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

Statement of Changes in Equity of the Group and the Company

For the year ended 31 March 2006

Group

| | Attributable to equity holders of the Company | | | | | | | | | |
|--------------------------------------------------|-----------------------------------------------|---------------------------|---------------------------------|------------------------------|-----------------------------|---------------------------------------|-------------------------------------------------------|-------------------|-------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Exchange reserve HK\$'000 | Capital reserve HK\$'000 | Convertible notes reserve HK\$'000 | Retained profits/ (Accumulated losses) HK\$'000 | Total HK\$'000 | Minority interest HK\$'000 | Total 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 | <u>18,750</u> | <u>11,152</u> | <u>6,015</u> | <u>96</u> | <u>-</u> | <u>885</u> | <u>(17,856)</u> | <u>19,042</u> | <u>1,988</u> | <u>21,030</u> |

Company

| | Convertible | | | | | |
|--------------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | notes reserve HK\$'000 | Accumulated losses HK\$'000 | Total 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 | <u>18,750</u> | <u>11,152</u> | <u>12,947</u> | <u>885</u> | <u>(2,666)</u> | <u>41,068</u> |

Consolidated Cash Flow Statement*For the year ended 31 March 2006*

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
|----------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| 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) | – |

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
|----------------------------------------------------------|--------------------------------|--------------------------------|
| 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 | <u>(22,124)</u> | <u>78</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 4,424 | 162 |
| Bank overdrafts | <u>(26,548)</u> | <u>(84)</u> |
| | <u>(22,124)</u> | <u>78</u> |

Notes to the Financial Statements*For the year ended 31 March 2006***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.

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 |

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.

(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.

2.2 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.

2.3 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 HK\$'000 | 2005 HK\$'000 |
| Decrease in other operating expenses | 1,190 | – |
| Decrease in loss attributable to shareholders of the Company | <u>1,190</u> | <u>–</u> |
| Decrease in basic loss per share | <u>HK cent 0.39</u> | <u>–</u> |
| Decrease in diluted loss per share | <u>N/A</u> | <u>–</u> |

- (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 HK\$'000 | HKFRS 3 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 | <u>(885)</u> | <u>–</u> |

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.

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.

(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.

(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.

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.
- (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.

(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.

(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.

(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.

(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.

(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 | <u>23,982</u> | <u>36,872</u> | <u>925</u> | <u>1,992</u> | <u>16,480</u> | <u>-</u> | <u>1,087</u> | <u>-</u> | <u>42,474</u> | <u>38,864</u> |
| RESULTS | | | | | | | | | | |
| Segment results | <u>(4,957)</u> | <u>(5,513)</u> | <u>351</u> | <u>(280)</u> | <u>1,867</u> | <u>-</u> | <u>879</u> | <u>-</u> | <u>(1,860)</u> | <u>(5,793)</u> |
| 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 | | | | | | | | | <u>(7,660)</u> | <u>(23,269)</u> |

| | 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 | | | | | | | | | <u>127,170</u> | <u>29,935</u> |
| LIABILITIES | | | | | | | | | | |
| Segment liabilities | 71 | 8,731 | - | 334 | 10,259 | - | - | - | 10,330 | 9,065 |
| Unallocated liabilities | | | | | | | | | 95,810 | 2,053 |
| Total liabilities | | | | | | | | | <u>106,140</u> | <u>11,118</u> |
| Other segment information: | | | | | | | | | | |
| Depreciation | 781 | 782 | - | - | - | - | - | - | 781 | 782 |
| Depreciation - unallocated | | | | | | | | | 591 | 398 |
| Capital expenditure | | | | | | | | | - | 7,819 |
| Capital expenditure - unallocated | | | | | | | | | 1,626 | 9 |

(b) Geographical segments

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

| | Turnover HK\$'000 | Capital expenditure HK\$'000 | Total assets 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 |
| | <u>42,474</u> | <u>1,626</u> | <u>127,170</u> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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) |
| | <u>42,474</u> | <u>38,864</u> |

8. OTHER REVENUE

| | Group | |
|--------------------------------------------|-----------------|-----------------|
| | 2006 | 2005 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest income | 108 | 5 |
| Exchange gain, net | 7 | – |
| Setup fee for computer networks and others | 203 | 245 |
| | <u>318</u> | <u>250</u> |

9. LOSS FROM OPERATING ACTIVITIES

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

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
|-----------------------------------------------------------------------------|-------------------------|-------------------------|
| Crediting: | | |
| Interest income | 108 | 5 |
| Exchange gain, net | 7 | – |
| | <u> </u> | <u> </u> |
| 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 |
| | <u> </u> | <u> </u> |

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 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| Interest on bank overdrafts, loans and bills wholly repayable within five years | 952 | 219 |
| Interest on finance leases | 32 | – |
| Interest on other loans | 10 | – |
| | <u> </u> | <u> </u> |
| | <u>994</u> | <u>219</u> |

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 <i>HK\$'000</i> | Salary, allowance and benefit in kind <i>HK\$'000</i> | Pension scheme contributions <i>HK\$'000</i> | Total | Total |
| | | | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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 |

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

| Emolument band | Number of directors | |
|----------------------|---------------------|------|
| | 2006 | 2005 |
| 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 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| Salaries, allowances and benefits in kind | 374 | 1,307 |
| Pension scheme contributions | 8 | 60 |
| | <u>382</u> | <u>1,367</u> |

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 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| 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 |
| | <u>(120)</u> | <u>(195)</u> |
| Deferred tax | | |
| Temporary differences (<i>Note 31</i>) | (233) | (1,646) |
| | <u>(353)</u> | <u>(1,841)</u> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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 HK\$'000 | Tooling HK\$'000 | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Computer and office equipment HK\$'000 | Motor vehicles HK\$'000 | Plant and machinery HK\$'000 | Total 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 | <u>5,054</u> | <u>771</u> | <u>1,277</u> | <u>99</u> | <u>2,850</u> | <u>-</u> | <u>10,935</u> | <u>20,986</u> |
| At 31st March 2005 | <u>-</u> | <u>-</u> | <u>159</u> | <u>46</u> | <u>539</u> | <u>371</u> | <u>6,907</u> | <u>8,022</u> |

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 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| 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) |
| | <hr/> | <hr/> |
| At fair value | <u>720</u> | <u>1,377</u> |

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 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| Unlisted shares, at cost | 13,172 | 13,172 |
| Amounts due from subsidiaries | 50,001 | 20,381 |
| | <hr/> | <hr/> |
| | <u>63,173</u> | <u>33,553</u> |

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

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 | | Principal activities |
|------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------|----------|-----------------------------------|
| | | | Direct | Indirect | |
| Smart Time Development Limited (<i>Note i</i>) | British Virgin Islands | US\$800,000 Ordinary | 100 | – | Investment holding |
| Great Plan Group Limited (<i>Note iii</i>) | British Virgin Islands | US\$1 Ordinary | 100 | – | Investment holding |
| Internet Appliances (Hong Kong) Limited (<i>Note i</i>) | Hong Kong | HK\$1,000,000 Ordinary | – | 100 | Trading of internet appliances |
| Shencai (Hong Kong) Holding Limited (<i>Note i</i>) | British Virgin Islands | US\$10,000 Ordinary | – | 100 | Dormant |
| Innotech Development Limited (<i>Note i</i>) | British Virgin Islands | US\$1,000 Ordinary | – | 100 | Holding of fixed assets |
| Global Form Limited (<i>Note i</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 (<i>Note i</i>) | Hong Kong | HK\$1,000,000 Ordinary | – | 100 | Trading of internet Appliances |
| Sunny Sky Investments Management Limited (<i>Note i</i>) | British Virgin Islands | US\$1 Ordinary | – | 100 | Investment holding |
| Union Bridge Group Limited (<i>Note ii</i>) | British Virgin Islands | US\$3,750 Ordinary | – | 100 | Investment holding |

| Name | Place of incorporation/ registration and operations | Nominal value of ordinary share/registered capital | Percentage of attributable equity interest | | Principal activities |
|---------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------|
| | | | Direct | Indirect | |
| Union Bridge International Limited (<i>Note ii</i>) | Hong Kong | HK\$10,000 Ordinary | – | 100 | Trading of electronic devices |
| Union Bridge Investment Limited (<i>Note ii</i>) | Hong Kong | HK\$80,767 Ordinary | – | 100 | Investment holding and trading of electronic devices |
| Popbridge Industrial Limited (<i>Note ii</i>) | 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 (<i>Note ii</i>) | Hong Kong | HK\$10,000 Ordinary | – | 100 | Investment holding and subcontracting of electronic devices |
| Dongguan Popbridge Electronic Co., Limited (<i>Note ii</i>) | PRC | HK\$14,650,000 | – | 100 | Manufacturing of electronic devices |
| Sun Bridge Group Limited (<i>Note ii</i>) | British Virgin Islands | US\$1 ordinary | – | 100 | Investment holding |
| Sun Bridge Industrial Company Limited (<i>Note ii</i>) | Hong Kong | HK\$10,000 | – | 100 | Dormant |
| Popbridge Group Limited (<i>Note ii</i>) | 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 <i>HK\$'000</i> | Group Product development costs <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|------------------------------------|-----------------------------------------------------------------------|---------------------------------|
| Cost | | | |
| At 1st April 2005 | – | – | – |
| Acquisition of subsidiaries | 14,483 | 10,382 | 24,865 |
| Additions | – | 833 | 833 |
| | <hr/> | <hr/> | <hr/> |
| At 31st March 2006 | 14,483 | 11,215 | 25,698 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated amortisation | | | |
| At 1st April 2005 | – | – | – |
| Charge for the year | – | 161 | 161 |
| | <hr/> | <hr/> | <hr/> |
| At 31st March 2006 | – | 161 | 161 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31st March 2006 | 14,483 | 11,054 | 25,537 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 31st March 2005 | – | – | – |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Raw materials | 15,113 | – |
| Work in progress | 5,240 | – |
| Finished goods | 503 | – |
| | <u>20,856</u> | <u>–</u> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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 | – |
| | <u>33,663</u> | <u>12,175</u> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| US\$ | <u>13,025</u> | <u>–</u> |

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | |
|------------------------------------|-----------------|-----------------|
| | 2006 | 2005 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Unlisted investment, at fair value | <u>2,325</u> | <u>–</u> |

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 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| Within 30 days | 6,131 | 405 |
| 31-60 days | 1,605 | – |
| 61-90 days | 1,540 | 136 |
| 91-120 | 372 | – |
| Over 120 days | 682 | – |
| | <u>10,330</u> | <u>541</u> |

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 <i>'000</i> | 2005 <i>'000</i> |
| US\$ | 1,807 | – |
| Euro | 12 | – |
| Rmb | 56 | – |
| | <u>1,875</u> | <u>–</u> |

24. BANK BORROWINGS

| | Effective interest rate <i>(%)</i> | Maturity | Group | |
|------------------------------|--------------------------------------------------|-----------------|--------------------------------|--------------------------------|
| | | | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
| 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 |
| | | | <u>63,458</u> | <u>8,168</u> |

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

| | Group | |
|-----------------------------------------|------------------|------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 |
| Within 1 year or on demand | 62,413 | 8,168 |
| In the second to fifth years, inclusive | 1,045 | – |
| | <u>63,458</u> | <u>8,168</u> |

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 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 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 | <u>5,378</u> | <u>–</u> | <u>4,960</u> | <u>–</u> |
| Future finance lease payables | (418) | – | | |
| Total net finance lease payables | <u>4,960</u> | <u>–</u> | | |
| Portion classified as current liabilities | <u>2,368</u> | <u>–</u> | | |
| Portion classified as non-current liabilities | <u>2,592</u> | <u>–</u> | | |

26. OTHER LOANS

| | Group | |
|-----------------------------------|-------------------|-------------------|
| | 2006 | 2005 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest bearing of 12% per annum | 215 | – |
| Non-interest bearing | 919 | – |
| | <u> </u> | <u> </u> |
| Carrying amount of liabilities | <u>1,134</u> | <u> </u> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Face value of convertible notes at the date of issue | 9,300 | – |
| Amount classified as equity component | (885) | – |
| | <u> </u> | <u> </u> |
| Carrying amount of liabilities | <u>8,415</u> | <u> </u> |

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 |
|---------------------------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Authorised: | | |
| 2,000,000,000 ordinary shares of HK\$0.05 each | <u>100,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| 375,000,000 (2005: 300,000,000) ordinary shares of HK\$0.05 each | <u>18,750</u> | <u>15,000</u> |

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 |
|-----------------------------------------------------------|---------------------------------------------|-------------------|----------------------------------------------------|------------------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1st April 2004 | – | – | – | – | – |
| Credit/(charge) to income statement (<i>Note 12</i>) | (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 (<i>Note 12</i>) | (82) | 120 | 167 | 28 | 233 |
| At 31st March 2006 | <u>(611)</u> | <u>2,995</u> | <u>(1,934)</u> | <u>208</u> | <u>658</u> |

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 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year | 621 | 84 |
| In the second to fifth years, inclusive | – | – |
| | <u>621</u> | <u>84</u> |

33. COMMITMENTS

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

| | Group | |
|---------------------------------------------------------------------------|-----------------|-----------------|
| | 2006 | 2005 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Contracted but not provided for in respect of acquisition of fixed assets | 700 | – |

34. CONTINGENT LIABILITIES

| | Company | |
|--------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| | 2006 | 2005 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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.

3. INTERIM RESULTS

Set out below is the unaudited financial information of the Group for the three months and six months ended 30 September 2006, together with comparative amounts, as extracted from the interim report 2006/07 of the Company respectively.

Unaudited Consolidated Income Statement

For the three months and six months ended 30th September, 2006

| | Notes | Six months ended 30th September, | | Three months ended 30th September, | |
|----------------------------------------------------|-------|-------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Turnover | 3 | 57,846 | 15,750 | 29,776 | 5,404 |
| Cost of sales | | (43,731) | (14,114) | (21,964) | (5,087) |
| Gross profit | | 14,115 | 1,636 | 7,812 | 317 |
| Other revenue | | 653 | 2 | 523 | 2 |
| Distribution costs | | (624) | (54) | (418) | - |
| Administrative expenses | | (8,462) | (1,739) | (4,260) | (880) |
| Other operating expenses | | - | (466) | - | - |
| Profit/(Loss) from operating activities | | 5,682 | (621) | 3,657 | (561) |
| Provision for impairment loss of other investments | | (620) | (657) | (620) | (657) |
| Finance costs | | (3,495) | (339) | (2,053) | (97) |
| Profit/(Loss) before taxation | 4 | 1,567 | (1,617) | 984 | (1,315) |
| Taxation | 5 | (745) | 278 | (683) | 278 |
| Profit/(Loss) for the period | | 822 | (1,339) | 301 | (1,037) |
| Attributable to: | | | | | |
| Equity holders of the company | | 822 | (1,325) | 301 | (1,025) |
| Minority interests | | - | (14) | - | (12) |
| Dividends | 9 | - | - | - | - |
| Earnings/(Loss) per share | 6 | | | | |
| - Basic (cent) | | 0.19 | (0.44) | 0.06 | (0.34) |
| - Diluted (cent) | | N/A | N/A | N/A | N/A |

Unaudited Consolidated Balance Sheet*As at 30th September, 2006*

| | | As at 30th September, 2006 | As at 31st March, 2006 |
|-------------------------------------------------------|--------------|-------------------------------------------|---------------------------------------|
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 33,032 | 20,986 |
| Available-for-sale financial assets | | 100 | 720 |
| Intangible assets | | 26,051 | 25,537 |
| Investments in associates | | 10,000 | – |
| Deferred tax assets, net | | 96 | 658 |
| | | <hr/> | <hr/> |
| | | 69,279 | 47,901 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Inventories | | 29,565 | 20,856 |
| Accounts receivable | 7 | 34,741 | 33,663 |
| Prepayments, deposits and other receivables | | 12,348 | 6,756 |
| Financial assets at fair value through profit or loss | | 2,325 | 2,325 |
| Tax prepaid | | 70 | 6 |
| Pledged time deposits | | 13,316 | 11,239 |
| Cash and bank balances | | 1,558 | 4,424 |
| | | <hr/> | <hr/> |
| | | 93,923 | 79,269 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Accounts payable | 8 | 22,590 | 10,330 |
| Bank borrowings, secured | | 59,583 | 62,281 |
| Bank borrowings, unsecured | | – | 132 |
| Current portion of finance lease payables | | 3,147 | 2,368 |
| Other loans | | 1,079 | 1,134 |
| Accrued expenses and other payables | | 5,019 | 3,064 |
| Amount due to a shareholder | | – | 999 |
| Taxes payable | | 1,130 | 973 |
| | | <hr/> | <hr/> |
| | | 92,548 | 81,281 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS/(LIABILITIES) | | <hr/> | <hr/> |
| | | 1,375 | (2,012) |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> | <hr/> |
| | | 70,654 | 45,889 |
| | | <hr/> | <hr/> |

| | As at 30th September, 2006 | As at 31st March, 2006 |
|-------------------------------------|-------------------------------------------|---------------------------------------|
| | (Unaudited) | (Audited) |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| NON-CURRENT LIABILITIES | | |
| Bank borrowings, secured | 1,465 | 1,045 |
| Finance lease payables | 5,667 | 2,592 |
| Convertible notes | 8,631 | 8,415 |
| Promissory notes | 11,397 | 12,636 |
| Provision for long services payment | 171 | 171 |
| | <u>27,331</u> | <u>24,859</u> |
| NET ASSETS | <u>43,323</u> | <u>21,030</u> |
| CAPITAL AND RESERVES | | |
| Issued capital | 23,250 | 18,750 |
| Reserves | 18,085 | 292 |
| | <u>41,335</u> | <u>19,042</u> |
| MINORITY INTERESTS | <u>1,988</u> | <u>1,988</u> |
| TOTAL EQUITY | <u>43,323</u> | <u>21,030</u> |

Unaudited Consolidated Statement of Changes in Equity*For the six months ended 30th September, 2006*

| | Share Capital (Unaudited) HK\$'000 | Share premium (Unaudited) HK\$'000 | Contributed surplus (Unaudited) HK\$'000 | Exchange reserve (Unaudited) HK\$'000 | Convertible notes reserve (Unaudited) HK\$'000 | Accumulated losses (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 | Minority interests (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------|------------------------------------------------|------------------------------------------------------------|--------------------------------------------------|----------------------------------|--------------------------------------------------|----------------------------------|
| At 1st April, 2005 | 15,000 | 5,902 | 6,015 | 108 | - | (10,207) | 16,818 | 1,999 | 18,817 |
| Net loss for the period | - | - | - | - | - | (1,325) | (1,325) | (14) | (1,339) |
| At 30th September, 2005 | <u>15,000</u> | <u>5,902</u> | <u>6,015</u> | <u>108</u> | <u>-</u> | <u>(11,532)</u> | <u>15,493</u> | <u>1,985</u> | <u>17,478</u> |
| At 1st April, 2006 | 18,750 | 11,152 | 6,015 | 96 | 885 | (17,856) | 19,042 | 1,988 | 21,030 |
| Issue of shares | 3,000 | 15,000 | - | - | - | - | 18,000 | - | 18,000 |
| Share issue expenses | - | (811) | - | - | - | - | (811) | - | (811) |
| Exercise of share options | 1,500 | 2,640 | - | - | - | - | 4,140 | - | 4,140 |
| Arising on consolidation of a subsidiary | - | - | - | 142 | - | - | 142 | - | 142 |
| Net profit for the period | - | - | - | - | - | 822 | 822 | - | 822 |
| At 30th September, 2006 | <u>23,250</u> | <u>27,981</u> | <u>6,015</u> | <u>238</u> | <u>885</u> | <u>(17,034)</u> | <u>41,335</u> | <u>1,988</u> | <u>43,323</u> |

Unaudited Condensed Consolidated Cash Flow Statement*For the six months ended 30th September, 2006*

| | Six months ended 30th September, 2006 | Six months ended 30th September, 2005 |
|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash inflow from operating activities | 7,013 | 124 |
| Net cash outflow from investing activities | (6,087) | – |
| Net cash outflow from financing activities | (5,182) | – |
| (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (4,256) | 124 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | (22,124) | 78 |
| | (26,380) | 202 |
| Change in foreign exchange rate | 142 | – |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>(26,238)</u> | <u>202</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 1,558 | 202 |
| Bank overdrafts | (27,796) | – |
| | <u>(26,238)</u> | <u>202</u> |

Notes:

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange.

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 trading and manufacturing of electronics devices and components and the provision of a full range of design and engineering services to high-end brand-named users in the industry.

2. Basis of presentation

The unaudited consolidated results have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit and loss, which have been measured at fair value and promissory notes which have been measured at amortised cost and in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively referred to as the “New HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2006.

3. 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.

An analysis of the Group’s turnover and segment results by business and geographical segment is as follows:

(a) Business segments

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

| | Six months ended 30th September, | | | | | | | | | |
|----------------------------------------------------------|------------------------------------------------|-------------------------|------------------------------------------------|-------------------------|-----------------------------------------|-------------------------|---------------------------------------|-------------------------|-------------------------|-------------------------|
| | 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 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Turnover | <u>1,804</u> | <u>14,813</u> | <u>-</u> | <u>937</u> | <u>52,019</u> | <u>-</u> | <u>4,023</u> | <u>-</u> | <u>57,846</u> | <u>15,750</u> |
| Segment results | <u>161</u> | <u>466</u> | <u>-</u> | <u>324</u> | <u>11,152</u> | <u>-</u> | <u>2,802</u> | <u>-</u> | 14,115 | 790 |
| Other revenue | | | | | | | | | 653 | 2 |
| Net unallocated expenses | | | | | | | | | (9,086) | (1,413) |
| Profit/(Loss) from operating activities | | | | | | | | | 5,682 | (621) |
| Provision for impairment loss of other investments | | | | | | | | | (620) | (657) |
| Finance costs | | | | | | | | | (3,495) | (339) |
| Profit/(Loss) before taxation | | | | | | | | | 1,567 | (1,617) |
| Taxation | | | | | | | | | (745) | 278 |
| Profit/(Loss) for the period | | | | | | | | | <u>822</u> | <u>(1,339)</u> |

| | As at 30th September, | | | | | | | | | |
|--------------------------------------|------------------------------------------------|-------------------------|------------------------------------------------|-------------------------|-----------------------------------------|-------------------------|---------------------------------------|-------------------------|-------------------------|-------------------------|
| | 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 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Assets | | | | | | | | | | |
| Segment assets | 14,485 | 13,959 | - | 35 | 59,173 | - | 16,285 | - | 89,943 | 13,994 |
| Unallocated assets | | | | | | | | | 73,259 | 5,664 |
| Total assets | | | | | | | | | <u>163,202</u> | <u>19,658</u> |
| Liabilities | | | | | | | | | | |
| Segment liabilities | 21,589 | 82 | - | - | 22,516 | - | - | - | 44,105 | 82 |
| Unallocated liabilities | | | | | | | | | 75,774 | 2,099 |
| Total liabilities | | | | | | | | | <u>119,879</u> | <u>2,181</u> |
| Other segment information: | | | | | | | | | | |
| Depreciation | 223 | 391 | - | - | 1,320 | - | 71 | - | 1,614 | 391 |
| Depreciation - unallocated | | | | | | | | | 680 | 199 |
| Capital expenditure - unallocated | | | | | | | | | <u>14,340</u> | <u>-</u> |

(b) Geographical segments

A summary of the geographical segments for the six months ended 30 September, 2006 and the corresponding period in 2005 is as follow:

| | Asia & Middle East | | United State of America ("USA") | | United Kingdom ("UK") | | Europe | | Others | | Consolidated | |
|----------------|-----------------------|-------------|------------------------------------|-------------|--------------------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | | | | | | | | | |
| External Sales | 19,656 | 15,750 | 9,451 | - | 16,800 | - | 11,935 | - | 4 | - | 57,846 | 15,750 |

4. Profit/(Loss) before taxation

The Group's profit/(loss) before taxation is arrived at after charging the following:

| | Six months ended 30th September, | | Three months ended 30th September, | |
|------------------------------------------|-------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Interest on overdrafts and bank loans | 3,495 | 339 | 2,053 | 97 |
| Amortisation of product development cost | 802 | – | 401 | – |
| Depreciation of fixed assets | 2,294 | 590 | 1,308 | 360 |
| | <u>6,591</u> | <u>929</u> | <u>3,762</u> | <u>457</u> |

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: Nil) on the estimated profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| | Six months ended 30th September, | | Three months ended 30th September, | |
|------------------------------------|-------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Current tax | 182 | (278) | 120 | (278) |
| Deferred tax | 563 | – | 563 | – |
| Tax charge/(credit) for the period | <u>745</u> | <u>(278)</u> | <u>683</u> | <u>(278)</u> |

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

6. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited net profit attributable to equity holders of the Company for the three months and six months ended 30th September, 2006 of approximately HK\$301,000 and HK\$822,000 respectively (three months and six months ended 30th September, 2005: unaudited net loss of approximately HK\$1,025,000 and HK\$1,325,000 respectively) and the weighted average number of 465,000,000 and 434,016,000 ordinary shares of the Company (three months and six months ended 30th September, 2005: 300,000,000 shares).

Diluted earnings/(loss) per share is not presented as there were no diluting events existed during the three months and six months ended 30th September, 2006 and the corresponding periods in 2005.

7. Accounts receivable

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

| | As at 30th September, 2006 (Unaudited) <i>HK\$'000</i> | As at 31st March, 2006 (Audited) <i>HK\$'000</i> |
|----------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Within 30 days | 11,815 | 16,556 |
| 31 to 60 days | 6,428 | 4,027 |
| 61 to 90 days | 3,605 | 3,384 |
| 91 to 120 days | 4,130 | 5,911 |
| Over 120 days | 8,763 | 3,785 |
| | <u>34,741</u> | <u>33,663</u> |

8. Accounts payable

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

| | As at 30th September, 2006 (Unaudited) <i>HK\$'000</i> | As at 31st March, 2006 (Audited) <i>HK\$'000</i> |
|----------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Within 30 days | 5,334 | 6,131 |
| 31 to 60 days | 4,412 | 1,605 |
| 61 to 90 days | 3,403 | 1,540 |
| 91 to 120 days | 3,337 | 372 |
| Over 120 days | 6,104 | 682 |
| | <u>22,590</u> | <u>10,330</u> |

9. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

10. Post balance sheet event

On 12th October, 2006, the Company entered into a conditional warrant placing agreement with a subscriber in relation to a private placing of 93,000,000 warrants at the warrant issue price of HK\$0.015 per warrant. The warrants entitle the subscriber to subscribe for the new shares at the subscription price of HK\$0.15 per new share for a period of 18 months commencing from the date of issue of warrants.

4. INDEBTEDNESS**Borrowings**

As at the close of business on 31 December 2006, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, the Group had outstanding borrowings of approximately HK\$99,527,000, details of which are set out below:

| | <i>HK\$'000</i> |
|---------------------------------------|-----------------|
| Secured bank loans | 69,595 |
| Convertible Notes (liability portion) | 8,739 |
| Promissory notes (liability portion) | 11,027 |
| Obligations under finance lease | 10,166 |
| | <hr/> |
| | 99,527 |
| | <hr/> <hr/> |

The principal amount of the Convertible Notes outstanding as at 31 December 2006 is HK\$9,300,000.

The principal amount of the promissory notes outstanding as at 31 December 2006 is HK\$11,700,000.

Securities and guarantees

Certain fixed deposits and financial assets of approximately HK\$11,850,000 and HK\$2,333,000 and fixed assets of the Group with net book value of approximately HK\$18,575,000 respectively have been pledged to banks to secure banking facilities and bank loans granted to the Group. Secured bank loans in the amount of approximately HK\$69,595,000 were drawn down as at 31 December 2006.

As at 31 December 2006, the Group provided unlimited corporate guarantees to financial institutions in respect of bank loans granted to the Group, approximately HK\$69,595,000 of which was utilised by the Group.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 December 2006, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, the date to which the latest published audited financial statements of the Group were made up.

6. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account the Group's internal resources, the existing banking facilities available and the estimated net proceeds of the Open Offer, the Group has sufficient working capital for its present requirements in the next twelve months from the date of this prospectus.

1. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 7.31(1) of the GEM Listing Rules is set out below to illustrate the effect of the Open Offer on the net tangible assets of the Group as if the Open Offer had taken place on 30 September 2006.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 September 2006, adjusted as described below:

| | Unaudited consolidated net tangible assets of the Group as at 30 September 2006 HK\$'000 (Note a) | Estimated net proceeds from the Open Offer HK\$'000 (Note b) | Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000 | Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Immediately before completion of the Open Offer | <u>15,188</u> | | | HK\$0.0238/ Share (Note c) |
| Immediately after completion of the Open Offer | <u>15,188</u> | 17,508 | <u>32,696</u> | HK\$0.0342/ Share (Note d) |

Notes:

- (a) The unaudited consolidated net tangible assets of the Group as at 30 September 2006 of approximately HK\$15,188,000 is calculated based on the unaudited consolidated net assets of the Group as at 30 September 2006 less intangible assets and deferred tax assets at 30 September 2006 as extracted from the interim report of the Group 2006/2007.
- (b) The estimated net proceeds from the issue of 318,472,500 Offer Shares are based on the Subscription Price of HK\$0.06 per Offer Share after deducting the related expenses of approximately HK\$1.61 million.
- (c) The calculation is based on 636,945,000 Shares immediately before completion of the Open Offer.
- (d) The calculation is based on 955,417,500 Shares comprising 636,945,000 Shares in issue and 318,472,500 Offer Shares to be issued and allotted upon completion of the Open Offer.

2. REPORT ON UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Set out below is the text of a letter in connection with the Open Offer received from the reporting accountants of the Group, Baker Tilly Hong Kong Limited, which has been prepared for the purpose of incorporation in this prospectus:–



BAKER TILLY
HONG KONG LIMITED
Certified Public Accountants

正風會計師事務所有限公司

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Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

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信德中心招商局大廈12樓
正風會計師事務所有限公司
Tel: +852 2525 0171
Fax: +852 2810 1417
www.bakertillyhk.com
enquiries@bakertillyhk.com

7 February 2007

The Directors

Union Bridge Holdings Limited
Room 1805-06, 18th Floor,
Riley House,
88 Lei Muk Road,
Kwai Chung,
New Territories,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Union Bridge Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 74 under the heading of unaudited pro forma adjusted consolidated net tangible assets of the Group in Appendix II of the Company’s prospectus dated 7 February 2007 (the “Prospectus”) in connection with the proposed open offer of new shares on the basis of one share for every two existing share held (the “Open Offer”) of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information relating to the Open Offer has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Open Offer might have affected the net tangible assets of the Group as at 30 September 2006. The basis of preparation of the unaudited pro forma financial information is set out on page 74 to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by the paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2006 or at any future date.

Opinion

In our opinion,

- the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Baker Tilly Hong Kong Limited

Certified Public Accountants

Andrew David Ross

Practising Certificate Number P01183

Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 prospectus 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 prospectus misleading; and (3) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Open Offer were as follows:

| | |
|---------------------------------------------------------------------------------------|-------------------|
| <i>Authorised:</i> | <i>HK\$</i> |
| 2,000,000,000 Shares | 100,000,000 |
| <i>Issued and fully paid or credited as fully paid:</i> | |
| 636,945,000 Shares as at the Latest Practicable Date | 31,847,250 |
| <u>318,472,500</u> Offer Shares to be issued pursuant to the Open Offer | <u>15,923,625</u> |
| <u>955,417,500</u> Shares in issue immediately after the completion of the Open Offer | <u>47,770,875</u> |

All the Shares in issue and the Offer Shares to be issued rank pari passu in all respects including all rights as to dividends, voting and return of capital.

Save as disclosed above, as at the Latest Practicable Date, the Company does not have any outstanding derivatives, share options, warrants or securities in issue which are convertible or exchangeable into Shares and has no intention to issue any new Shares or any of the above securities before the latest time for acceptance.

All of the Offer Shares will be listed on GEM. No part of the Share or loan capital of the Company is listed or dealt in, nor is listing of or permission to deal in the Share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(A) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

| Name of Director | Nature of interests | Number of Shares held | Approximate percentage of issued share capital |
|------------------|---------------------|-----------------------|------------------------------------------------|
| Mr. Wan | Beneficial | 300,000 (L) | 0.05 |
| Mr. Wong | Beneficial | 3,450,000 (L) | 0.54 |
| Mr. Cheng | Beneficial | 3,750,000 (L) | 0.59 |
| Mr. Lo | Beneficial | 3,750,000 (L) | 0.59 |

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange.

(a) *Interests in assets*

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2006, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(b) *Service contracts*

Each of Mr. Kwok Chi Sun Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, the independent non-executive Directors, entered into a letter of appointment with the Company, for an initial term of one year commencing from 16th August 2005.

Mr. Wong, the executive Director, entered into a letter of appointment with the Company, for an initial term of one year commencing from 1 April 2006 which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Lo, the executive Director, has been appointed by way of a letter of appointment with the Company for a term of one year from 14 August 2006, which will continue thereafter until terminated by either party giving not less than one month's notice in writing.

Mr. Chan Hin Wing, James, the executive Director, has entered into a letter of appointment with the Company for a term of one year from 1 November 2006, which will continue thereafter until terminated by either party giving not less than one month's notice in writing.

Save as disclosed, there is no service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

(c) *Interest in contract or arrangement*

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 March 2006, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

(d) *Competing business or interest*

As at the Latest Practicable Date, the Directors were not aware of any business or interest of the Directors or any management shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had completed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

(B) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions 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 were 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 the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

| Name of Shareholder | Nature of interests | Number of Shares held | Approximate Percentage of issued share capital |
|-------------------------------------|-------------------------------------|------------------------------|-------------------------------------------------------|
| Starryland (Note 1) | Beneficial | 202,500,000 (L) | 31.79 |
| Mr. Lau (Note 1) | Interests in controlled corporation | 202,500,000 (L) | 31.79 |
| Ms. Chan Yiu Kan, Katie (Note 1) | Deemed interests | 202,500,000 (L) | 31.79 |
| UBPSL (Note 2) | Beneficial | 123,945,000 (L) | 19.46 |
| Rich Regent Inc. (Note 3) | Beneficial | 33,000,000 (L) | 5.18 |
| Mr. Ng Sze Hoi, Danny (Note 3) | Interests in controlled corporation | 33,000,000 (L) | 5.18 |
| Ms. Ng Hoi Yan, Grace (Note 3) | Deemed interests | 33,000,000 (L) | 5.18 |
| PCSL (Note 4) | Beneficial | 118,125,000 (L) | 18.55 |

(L) denotes long position

Notes:

1. Starryland, a company incorporated in British Virgin Islands, is wholly and beneficially owned by Mr. Lau. Ms. Chan Yiu Kan, Katie, being the wife of Mr. Lau, is deemed to be interested in 202,500,000 Shares held by Starryland.
2. UBPSL, a company being beneficially owned as to 51.82% by Mr. Lo and Ms. Cheng Pui Ping collectively and as to 48.18% by 12 individual and corporate owners, is beneficially interested in 123,945,000 Shares.
3. Rich Regent Inc., a company beneficially and wholly owned by Mr. Ng Sze Hoi, Danny, is beneficially interested in 33,000,000 Shares. Ms. Ng Hoi Yan, Grace, being the wife of Mr. Ng Sze Hoi, Danny, is deemed to be interested in 33,000,000 Shares held by Rich Regent Inc.

4. 118,125,000 Shares represents the number of Offer Shares PCSL as underwriter being required to subscribe or procure to subscribe for pursuant to the Underwriting Agreement. As such, PCSL is deemed to be interested in 118,125,000 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, there is no other person (other than the Director or chief executive of the Company) who had interests or short positions 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 had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and/or any subsidiaries of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

4. CORPORATE INFORMATION

| | |
|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Registered address | 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 |
| Company secretary and qualified accountant | Wong Tak Shing |
| Authorised representatives | Wan Kin Chung Wong Tak Shing |
| Compliance officer | Wan Kin Chung |
| Financial adviser to the Company in relation to the Open Offer | Partners Capital International Limited Room 3906 39th Floor, COSCO Tower 183 Queen's Road Central Hong Kong |
| Underwriter | Partners Capital Securities Limited Room 3905 39th Floor, COSCO Tower 183 Queen's Road Central Hong Kong |

| | |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Auditors | Baker Tilly Hong Kong Limited <i>Certified Public Accountants</i> 12th Floor, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong |
| Legal adviser to the Company in relation to the Open Offer | <i>As to Hong Kong law:</i> Michael Li & Co. 14th Floor, Printing House 6 Duddell Street Central Hong Kong <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong |
| Hong Kong branch share registrar | Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong |
| Principal share registrar | The Bank of Bermuda Limited Bank of Bermuda Buildings 6 Front Street Hamilton HM11 Bermuda |
| Principal banker | Standard Chartered Bank (Hong Kong) Limited 13th Floor, 4-4A Des Voeux Road Central Hong Kong |

5. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a) Name and business address of the Directors and senior management

| Name | Business address |
|--------------------------------------------|----------------------------------------------------------------------------------------------|
| <i>Executive Directors</i> | |
| Wan Kin Chung | Room 1805-06 |
| Wong Tak Shing | 18/F., Riley House |
| Cheng Kwong Chung | 88 Lei Muk Road |
| Lo Ka Tong | Kwai Chung |
| Chan Hin Wing, James | New Territories Hong Kong |
| <i>Independent non-executive Directors</i> | |
| Kwok Chi Sun, Vincent | 12/F., C1, Block C Beverly Hill 6 Broadwood Road Happy Valley Hong Kong |
| Yeung Kam Yan | Flat H, 26/F. Tsuen Fung Centre 168 Sai Lau Kok Road Tsuen Wan N.T. Hong Kong |
| Chan Wing Chiu | 10/F., Flat B, Block 1 Tsuen King Garden Tsuen Wan N.T. Hong Kong |
| <i>Senior management</i> | |
| Cheng Pui Ping, Grandy | Room 1805-06 |
| Kwong Fat Pui | 18/F., Riley House |
| Mok Vickie | 88 Lei Muk Road |
| Chan Tsz Fung | Kwai Chung |
| Kwok Wing Kuen | New Territories |
| Lo Kwok Choi | Hong Kong |
| Hsu Tung Sheng | |

(b) Qualification of the Directors*Executive Directors*

Mr. Wan Kin Chung, aged 54, was appointed as the chairman of the Board and an executive Director on 16 August 2005. He graduated from the Hong Kong Polytechnic University 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 for site selection, equipment sourcing, establishing company policy and recruitment. Mr. Wan did not hold any directorship in any other listed public companies in the last three years before his appointment as an executive Director.

Mr. Wong Tak Shing, aged 43, was appointed as an executive Director on 1 April 2006. He 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. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong was previously an executive director, company secretary and an authorised representative of SMI Publishing Group Limited (Stock code: 8010), the company secretary of Tidetime Sun (Group) Holdings Limited (Stock code: 307) and is appointed as an independent non-executive director of Sun Innovation Holdings Limited (Stock code: 547) with effect from 1 April 2006. Apart from being an executive Director, the deputy chairman, an authorised representative, the qualified accountant and company secretary of the Company, Mr. Wong does not hold any other positions in the Company or any of its subsidiaries. Save as disclosed above, Mr. Wong did not hold any directorship and other major appointments in any other listed public companies in the last three years before his appointment as an executive Director.

Mr. Cheng Kwong Chung, aged 40, was re-appointed as an executive Director on 1 April 2006. He is also an ex-Director and co-founder of the Group. Mr. Cheng holds a Bachelor of Engineering Degree in Electronics Engineering from the Hong Kong Polytechnic University. 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. Apart from being an executive Director, he did not hold any directorship and other major appointments in any other listed public companies in the last three years before his appointment as an executive Director.

Mr. Lo Ka Tong, aged 59, was appointed as an executive Director and chief executive officer of the Company on 14 August 2006. He holds a master's degree in science (electrical engineering and computer science) from the University of New Mexico and a bachelor's degree in science in electrical engineering from the University of Hong Kong. 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. Mr. Lo also holds directorship in Union Bridge Investment Limited, Union Bridge International Limited, Union Bridge Group, Popbridge Industrial Limited, Popbridge Manufacturing Limited, Dongguan Popbridge Electronic Co., Ltd., Sun Bridge Group Limited, Sun Bridge Industrial Company Limited and Popbridge Group Limited. All of those companies are wholly-owned subsidiaries of the Company. Apart from being directors of those companies, Mr. Lo does not hold any other positions in the Group and did not hold any directorship or other major appointments in any other listed public companies in the last three years before his appointments as an executive Director and the chief executive officer of the Company.

Mr. Chan Hin Wing, James, aged 57, graduated from the Hong Kong Polytechnic University majoring in marketing, economics and finance. He is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 35 years of experience in sales, marketing, franchising and chain store establishments in the Asia Pacific region. Mr. Chan is a pioneer in opening up various sectors of the market of the PRC to foreign investors. He successfully promoted numerous joint ventures between PRC corporations and foreign partners. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology. Save as disclosed, Mr. Chan does not hold any positions in the Company or any of its subsidiaries and did not hold any directorship and other major appointments in any listed public companies in the last three years before his appointment as an executive Director.

Independent non-executive Directors

Mr. Kwok Chi Sun, Vincent, aged 43, was appointed as an independent non-executive Director on 16 August 2005. Mr. Kwok 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, namely Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited and KanHan Technologies Group Limited with the first three companies being listed on the main board of the Stock Exchange while the last company is listed on GEM. Mr. Kwok had also been a non-executive director of Oriental Investment Corporation Limited until September 2005 and an independent non-executive director of Fortuna International Holdings Limited until June 2006, both companies are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Kwok did not hold any directorship in any other listed companies in the last three years before his appointment as an independent non-executive Director.

Mr. Yeung Kam Yan, aged 53, was appointed as an independent non-executive Director on 16 August 2005. Mr. Yeung is also a member of 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 has also carried on a trading and investment business of his own in the PRC from 1990 to 1998. Mr. Yeung was previously an executive director of Hua Xia Healthcare Holdings Limited (formerly named as Grandy Corporation) until April 2006, a company listed on GEM. Save as disclosed above, Mr. Yeung did not hold any directorship in any other listed companies in the last three years before his appointment as an independent non-executive Director.

Mr. Chan Wing Chiu, aged 75, was appointed as an independent non-executive Director on 16 August 2005. He holds a bachelor's degree in electrical engineering from the South China University of Guangzhou, the PRC. He had been a power designer for signaling and communication engineer for the Ministry of Railways, the PRC for more than 27 years. He did not hold any directorship in any other listed companies in the last three years before his appointment as an independent non-executive Director.

Senior management

Ms. 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.

Mr. 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.

Ms. Mok Vickie, is a daughter of Ms. Cheng Pui Ping, Grandy 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 Wollongong, Australia. She has over 8 years' banking experience in Hong Kong. She joined Union Bridge Group in April 2000.

Mr. 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.

Mr. 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.

Mr. 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.

Mr. Hsu Tung Sheng, being a director of two subsidiaries of the Company, was graduated from the National Chengchi University (Taiwan) with a bachelor's degree in law. He was a special assistant of a Legislator to the Legislative Yuan (Taiwan). He is also a consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and was a director of Shinhai Gas Company (新海瓦斯公司) which is also a listed company in Taiwan Stock Market. Mr. Hsu has participated in some large investment projects for Toyota Tsusho and has built up a good relationship with the government and some private enterprises.

(c) **Audit committee**

The Company has 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 control of the Group and provide advice and comments on the Company's annual reports and accounts, half year reports and quarterly reports to Directors. The Committee comprises three independent non-executive Directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. Further details of whom are set out in the paragraph headed "Qualification of the Directors" above.

6. EXPERT

The following is the qualification of the expert who has been named in this prospectus or has given opinion, letter or advice which are contained in this prospectus:

| Name | Qualification |
|-------------------------------|------------------------------|
| Baker Tilly Hong Kong Limited | Certified Public Accountants |

As at the Latest Practicable Date, Baker Tilly Hong Kong Limited has not had any beneficial interest in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and have any interest, either directly or indirectly, in any assets which have been, since 31 March 2006, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Baker Tilly Hong Kong Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its letter and/or references to its names, in the form and context in which it respectively appears.

7. LITIGATION

Neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is at present known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the conditional sale and purchase agreement dated 11 January 2006 entered into amongst others Great Plan Group Limited, a wholly-owned subsidiary of the Company, and UBPSL relating to the sale and purchase of 37,500 shares of Union Bridge Group;
- (b) the conditional placing agreement dated 1 June 2006 entered into between the Company and Quam Securities Company Limited in relation to placing of up to 60,000,000 new Shares at HK\$0.30 per Share on a best endeavour basis;
- (c) the conditional subscription agreement dated 11 August 2006 entered into between Media Magic Technology Limited and Upper Power Limited, a wholly-owned subsidiary of the Company, in respect of the subscription and issue of 5,556 new shares in Media Magic Technology Limited;
- (d) the conditional sale and purchase agreement dated 11 August 2006 entered into amongst Mr. Hsu, Mr. Mar King Tong, Allise and Mr. Cheung Sai Man and Upper Power Limited, a wholly-owned subsidiary of the Company, relating to the sale and purchase of 5,556 shares in Media Magic Technology Limited;
- (e) the conditional subscription agreement dated 12 October 2006 entered into between the Company and Rich Regent Inc. in relation to the subscription of 93,000,000 non-listed warrants of the Company by Rich Regent Inc. at an issue price of HK\$0.015 per warrant and a subscription price of HK\$0.15 per warrant;

- (f) the conditional sale and purchase agreement dated 16 November 2006 entered into between Upper Power Limited, a wholly-owned subsidiary of the Company and Mr. Hsu for the sale and purchase of 17,222 shares in Media Magic Technology Limited; and
- (g) the Underwriting Agreement.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group within the two years preceding the date of this prospectus, which are or may be material.

9. MISCELLANEOUS

The English text of this prospectus shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any business day at the head office and principal place of business of the Company in Hong Kong at Room 1805-06, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong, from the date of this prospectus up to and including Friday, 23 February 2007:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2006;
- (c) the interim report of the Company for the six months ended 30 September 2006;
- (d) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letter from Baker Tilly Hong Kong Limited, the text of which are reproduced in Appendix II to this prospectus;
- (f) the service contracts referred to in the sub-section headed “Service contracts” in this appendix;
- (g) the written consent of the expert referred to in the section headed “Expert” in this appendix;
- (h) the material contracts referred to the section headed “Material Contracts” in this appendix;
- (i) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 March 2006, the date of the latest published audited consolidated financial statements of the Group were made up; and
- (j) this prospectus.