



IA INTERNATIONAL HOLDINGS LIMITED

毅興科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This announcement, for which the directors of IA International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to IA International Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

FINANCIAL RESULTS

The board of directors (the “Board”) of IA International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2006 together with the comparative figures for the corresponding year in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
TURNOVER	2	42,474	38,864
Cost of sales		(38,096)	(42,035)
Gross profit/(loss)		4,378	(3,171)
Other revenue		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	3	(1,362)	(12,758)
Loss on disposals of fixed assets		–	(3,910)
Provision for impairment loss of fixed assets		(5,000)	–
Provision for impairment loss of other investments		–	(8,223)
Provision for impairment loss of available-for-sale financial assets		(657)	–
Finance costs	4	(994)	(219)
LOSS BEFORE INCOME TAX		(8,013)	(25,110)
Income tax	5	353	1,841
LOSS FOR THE YEAR		(7,660)	(23,269)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		(7,649)	(23,143)
Minority interests		(11)	(126)
LOSS FOR THE YEAR		(7,660)	(23,269)
DIVIDENDS	6	–	–
LOSS PER SHARE	7		
– Basic		HK cent (2.53)	HK cent (7.71)
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31st March 2006

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2006

	Attributable to equity holder of the Company							Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	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			
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	3,750	5,250	-	-	-	-	-	9,000	-	9,000
Issue of convertible notes	-	-	-	-	-	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>

Notes:

1. 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 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.

1.1 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.

2. 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 platform and related services	925	1,992
Trading and manufacturing of electronic devices and components	16,480	–
Design and engineering services	1,087	–
Less: Sales discounts	(944)	(5,616)
	42,474	38,864

3. Loss from operating activities

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

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

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

4. Finance costs

	Group	
	2006	2005
	<i>HK\$'000</i>	<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	–
	<hr/>	<hr/>
	994	219
	<hr/> <hr/>	<hr/> <hr/>

5. Income tax

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

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<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
	<hr/>	<hr/>
	(120)	(195)
Deferred tax		
Temporary differences	(233)	(1,646)
	<hr/>	<hr/>
Tax credit for the year	(353)	(1,841)
	<hr/> <hr/>	<hr/> <hr/>

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	<u>(8,013)</u>	<u>(25,110)</u>
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	<u>10</u>	<u>155</u>
Tax credit for the year	<u>(353)</u>	<u>(1,841)</u>

6. Dividends

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

7. 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.

8. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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; and
- (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 electronics devices and components segment provides power devices, magnetic and printed circuit board assembly.
- (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 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
TURNOVER	23,982	36,872	925	1,992	16,480	-	1,087	-	42,474	38,864
RESULTS										
Segment results	(4,957)	(5,513)	351	(280)	1,867	-	879	-	(1,860)	(5,793)
Other revenue									302	5
Distribution costs									(54)	(626)
Administrative and other operating expenses									(4,750)	(3,251)
Provision for bad and doubtful debts									-	(3,093)
Loss from operating activities									(6,362)	(12,758)
Loss on disposals of fixed assets									-	(3,910)
Provision for impairment loss on other investments									-	(8,223)
Provision for impairment loss on available-for-sale financial assets									(657)	-
Finance costs									(994)	(219)
Loss before income tax									(8,013)	(25,110)
Income tax									353	1,841
Loss for the year									(7,660)	(23,269)
BALANCE SHEET										
ASSETS										
Segment assets	6,708	20,230	-	963	46,376	-	14,050	-	67,134	21,193
Unallocated assets									60,036	8,742
Total assets									127,170	29,935
LIABILITIES										
Segment liabilities	71	8,731	-	334	10,259	-	-	-	10,330	9,065
Unallocated liabilities									95,810	2,053
Total liabilities									106,140	11,118
Other segment information:										
Depreciation	781	782	-	-	-	-	-	-	781	782
Depreciation - unallocated									591	398
Capital expenditure									-	7,819
Capital expenditure - unallocated									1,626	9

(b) Geographical segments

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

	Turnover	Capital	Total assets
	<i>HK\$'000</i>	<i>expenditure</i>	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
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>

9. 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 that date. The total issued shares therefore increased from 405,000,000 to 465,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

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

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

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

Liquidity, financial resources and capital structure

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

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

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

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

Segment information

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

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

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

New products and services

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

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

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

Significant investments

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

Material acquisitions or disposals of subsidiaries and affiliated companies

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

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

Future plans for material investments and expected source of funding

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

Contingent liabilities

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

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

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

Employees and remuneration policies

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

BUSINESS REVIEW

The Group is principally engaged in the research, development and provision of information-on-demand ("IOD") system solutions, which enables internet users to obtain and process information via the internet, and the provision of related products and services. Owing to the intense competitive environment in the internet appliances products and related products, the Group recorded a substantial decline in turnover and loss was resulted during the year relating to that part of business. During the second half of the year, the Group substantially scaled down its operation, including the research and development team, in Shenzhen, the PRC to reduce its operating costs.

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

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

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

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Code on Corporate Governance Practices (the “CCGP”) contained in Appendix 15 of the GEM Listing Rules was introduced on 1st January 2005, which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CCGP. The Company is fully admitted that good corporate governance, as part of the Company’s culture can create values to the Group and our shareholders. Not only is it a question of regularity compliance but also is guidance of the Company to do the right things. Therefore, the Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in following, the Group has adopted practices which meets the code provisions of the CCGP throughout the year ended 31st March 2006 (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

Under the code provision A.2.1 stipulates that the rules of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Wan Kin Chung since August 2005, the Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

No nomination committee was established by the Company.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

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

By order of the Board
Wan Kin Chung
Chairman

Hong Kong, 26th June 2006

As at the date of this announcement, the Board of the Company comprises three executive directors, namely Wan Kin Chung, Wong Tak Shing and Cheng Kwong Chung and three independent non-executive directors, namely Kwok Chi Sun, Vincent, Yeung Kam Yan and Chan Wing Chiu.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting.