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.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wan Kin Chung *(Chairman)*
Chan Francis Ping Kuen *(Deputy Chairman)*
Cheng Kwong Chung
Lo Ka Tong
Chan Hin Wing, James

Non-executive Director

Ho Hoi Lap

Independent Non-executive Directors

Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Wing Chiu

COMPANY SECRETARY

Law Ho Ming *ACCA, CPA*

QUALIFIED ACCOUNTANT

Law Ho Ming *ACCA, CPA*

COMPLIANCE OFFICER

Wan Kin Chung

AUTHORISED REPRESENTATIVES

Wan Kin Chung
Law Ho Ming

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Wing Chiu

AUDITORS

World Link CPA Limited

LEGAL ADVISER

Michael Li & Co.

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

東莞市長安鎮振安一路上角路段咸西工業區

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar

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

Branch registrar

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

STOCK CODE

8047

Chairman's Statement

On behalf of the board of directors (the "Board"), we hereby present the Annual Report of Union Bridge Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31st March 2007 to our shareholders.

MARKET OVERVIEW

The Group is principally engaged in the research, development, provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the trading and manufacturing of electronic devices and components and the provision of full range of design and engineering services to high end brand-named users in industry. During the year, the Group is also engaged in the provision of diversified mobile payment gateway services.

Due to the keen competition and slow growth in IOD market, the Group further scaled down its operation and concentrated on trading and manufacturing electronic devices and the mobile payment gateway services. These changes resulted in the improvement in the turnover and the operating profit compared to the previous corresponding year. The Group recorded an increase in trading and manufacturing of electronic devices and components by approximately HK$83.5 million in the year. As a result, the overall turnover increased by approximately 159%.

During the year under review, the Company acquired 51% share capital of Media Magic Technology Limited and its subsidiaries ("Media Magic Group"). The Media Magic Group is principally engaged in the provision of diversified mobile payment gateway services. The provision of diversified mobile payment gateway services is of great potential and prospect in PRC as there is an increasing number of mobile phone users in the PRC under the environment of fast economic growth in the PRC.

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

FINANCIAL OVERVIEW

The Group recorded an increase of approximately 159% in its turnover for the year ended 31st March 2007 to approximately HK$110.1 million compared to the previous corresponding year. Turnover from the internet appliances and related products segment recorded a decrease of approximately 91% to HK$2.1 million in the current year compared to the previous corresponding year. There was no income from e-commerce platform and related services recorded in the current year because the Group was still looking for suitable business partner to promote these products. Turnover from the electronic devices and components segment recorded an increase of approximately 507% to HK$100.0 million. The design and engineering services also recorded an increase of approximately 340% to HK$4.8 million. The significant increase in turnover from electronic devices and components and design and engineering services was

Chairman's Statement

due to the fact that only one month of financial results were consolidated into the Group in the previous corresponding year. But in current year, the whole year financial results were consolidated into the Group. Besides, turnover from mobile payment gateway services of approximately HK$3.2 million was recorded due to the acquisition of the Media Magic Group in the current year.

The Group recorded an increase in gross profit of approximately 454% to HK$24.3 million in the current year compared to approximately HK$4.4 million in the previous corresponding year. It was mainly due to the increase in turnover in current year.

Net loss attributable to shareholders for the year ended 31st March 2007 amounted to approximately HK$8.6 million (2006: net loss of approximately HK$7.7 million). Losses during the year were mainly attributed to the recognition of equity-settled share-based payment, provision for impairment loss on investments and the write-off of the deferred tax assets.

The Company announced that on 13th April 2007, the Company entered into a placing agreement and top up subscription agreement in relation to place not more than 110,000,000 shares of the Company at HK$0.47 per share. The net proceeds of the placing are estimated to be around HK$49.7 million. The directors currently intend to apply up to HK$33.1 million for any investments that will enhance the Group's future development and the balance will be used as the general working capital of the Group.

PROSPECTS AND APPRECIATION

The Group is cautiously optimistic about the prospects of the Group for the coming year owing to the fast growth of the economic environment in the PRC and the improvement of the business environment in the whole world. Going forward, the Group will look for other opportunities to diversify its revenue base, explore new markets and develop new products. The Group will also continue to explore investment opportunities so as to optimize its shareholders' interests.

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

Wan Kin Chung
Chairman

Hong Kong, 22nd June 2007

Management Discussion and Analysis

BUSINESS REVIEW

General

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 electronic devices and components and the provision of full range of design and engineering services to high end brand-named users in industry. During the year, the Group is also engaged in the provision of diversified mobile payment gateway services.

Due to the substantial decrease in turnover from the internet appliances and related products in previous years and the keen competition in this market, the Group further scaled down the operation this year in order to minimize the operating cost. Besides, the Group concentrated on the trading and manufacturing of electronic devices and components because it provided a stable source of revenue to maintain the operation of the Group. The design and engineering services were not only providing a high margin source of income but also enhancing the overall competitiveness of the Group business.

The directors believe that an increasing number of mobile phone users in PRC provides a great potential market to diversify the revenue base of the Group. Thus, the Group acquired Media Magic Group which is engaged in the provision of diversified mobile payment gateway services. The directors expected that the acquisition can capture the potential opportunities in the booming mobile phone market in PRC.

FINANCIAL REVIEW

Results

The Group recorded an increase of approximately 159% in its turnover for the year ended 31st March 2007 to approximately HK$110.1 million compared to the previous corresponding year. Turnover from the internet appliances and related products segment recorded a decrease of approximately 91% to HK$2.1 million in the current year compared to the previous corresponding year. There was no income from e-commerce platform and related services recorded in the current year because the Group was still looking for suitable business partner to promote these products. Turnover from the electronic devices and components segment recorded an increase of approximately 507% to HK$100.0 million. The design and engineering services also recorded an increase of approximately 340% to HK$4.8 million. The significant increase in turnover from electronic devices and components and design and engineering services was due to the fact that only one month of financial results were consolidated into the Group in the previous corresponding year. But in current year, the whole year financial results were consolidated into the Group. Besides, turnover from mobile payment gateway services of approximately HK$3.2 million was recorded due to the acquisition of the Media Magic Group in the current year.

The Group recorded an increase in gross profit of approximately 454% to HK$24.3 million in the current year compared to approximately HK$4.4 million in the previous corresponding year. It was mainly due to the increase in turnover in current year.

Management Discussion and Analysis

Net loss attributable to shareholders for the year ended 31st March 2007 amounted to approximately HK$8.6 million (2006: net loss of approximately HK$7.7 million). Losses during the year were mainly attributed to the recognition of equity-settled share-based payment, provision for impairment loss on investments and the write-off of the deferred tax assets.

Liquidity, financial resources and capital structure

As at 31st March 2007, the Group had total assets of approximately HK$216.9 million (2006: approximately HK$127.2 million), including net cash and bank balances of approximately HK$33.8 million (2006: approximately HK$4.4 million).

For the year ended 31st March 2007, the Group financed its operations mainly with its own working capital and was granted general banking facilities of approximately HK$77.0 million (2006: approximately HK$76.7 million). Approximately HK$64.0 million was utilised at the balance sheet date (2006: approximately HK$63.3 million). Approximately HK$16.0 million of net book value of fixed assets was charged as at 31st March 2007 (2006: approximately HK$12.0 million).

As at 31st March 2007, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0.30 (2006: 0.50). The Group had bank borrowings of approximately HK$65.7 million as at 31st March 2007 (2006: approximately HK$63.5 million).

Most of the transactions of the Group are denominated in United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Renminbi ("RMB"). As the exchange rates of USD and RMB to HKD 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, e-commerce platform and related services, trading and manufacturing electronic devices and components, design and engineering services and provision of a variety of mobile payment gateway services.

Revenue from the sales of internet appliances and related products decreased by approximately HK$21.8 million and approximately 91% compared to the previous corresponding year and there was no income from e-commerce platform and related services in current year. Revenue from the trading and manufacturing of electronic devices and components increased by approximately HK$83.5 million and approximately 507%. Furthermore, revenue from the design and engineering services increased by approximately HK$3.7 million and approximately 340%.

As to the geographical segments, sales of the Group generated in the Asia & Middle East, USA, UK and Europe market were approximately HK$32 million, HK$20 million, HK$31 million and HK$27 million respectively during the year ended 31st March 2007 (2006: approximately HK$27 million, HK$9 million, HK$3 million and HK$2 million respectively).

Please also refer to note 5 to the financial statements in this annual report for details of segment information.

Management Discussion and Analysis

New products and services

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position. Besides, the aim to the acquisition of the Media Magic Group was to increase the service ranges of the Group and diversify the revenue base of the Group.

Significant investments

As at 31st March 2007, other than the investment in the listed securities of a company listed in Hong Kong detailed in note 16 to the financial statements in this annual report, the Group did not have any other significant investments. A provision of approximately HK$9.5 million has been made for the impairment in value as at 31st March 2007 (2006: approximately HK$8.9 million).

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has acquired 51% equity interest in Media Magic Group. The Media Magic Group is principally engaged in the provision of diversified mobile payment gateway services.

Details of this acquisition are disclosed in the Company's circular dated 7th September 2006 and 14th December 2006.

Future plans for material investments and expected source of funding

As at 31st March 2007, 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 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$1,144,000 as at 31st March 2007 (2006: HK$1,343,000). 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 recognised 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.

Save as disclosed above, the Group had no other material contingent liabilities (2006: Nil).

Management Discussion and Analysis

Employees and remuneration policies

As at 31st March 2007, the Group had 537 (2006: 585) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$17.3 million for the year ended 31st March 2007 (2006: approximately HK$0.9 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 and 53,550,000 share options have been granted to directors, employees and business associates whereby HK$4,140,000 and HK$4,340,000 options money was received as at 8th May 2006 and 20th March 2007 respectively.

Directors and Senior Management

Executive Directors

Wan Kin Chung, aged 55, the chairman and executive director of the Company, graduated from the Hong Kong Polytechnic in Telecommunication/Computer Stream. Mr. Wan had over 25 years' experience in electronics industry and management position. Mr. Wan has been working in multinational companies for more than 20 years and was the Section Manager of Data General Hong Kong and the Manufacturing Manager of Tektronix Hong Kong. Mr. Wan had set up two factories (Advent Manufacturing and Tektronix Hong Kong) and he was responsible in site selection, equipment sourcing, establishing company policy and recruitment.

Chan Francis Ping Kuen, aged 48, the executive director and deputy chairman of the Company, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive director and the deputy chairman on 22nd May 2007. He is an independent non-executive director of China Elegance (Holdings) Limited (Stock Code: 476), Earnest Investment Holdings Limited (Stock Code:339) and Hua Xia Healthcare Holdings Limited (Stock Code: 8143). The former two companies are listed on main board of the Stock Exchange while the last company is listed on GEM.

Cheng Kwong Chung, aged 41, re-appointed as an executive director on 1st April 2006, is an ex-director of the Company and co-founder of the Group. He is a former executive director of the Company. Mr. Cheng holds a Bachelor of Engineering Degree in Electronics Engineering from the Hong Kong Polytechnic University in Hong Kong. Mr. Cheng has over 10 years of experience in sales and marketing and over 5 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.

Lo Ka Tong, aged 60, was appointed as an executive director on 14th August 2006. Mr. Lo holds a masters degree in science (electrical engineering and computer science) from University of New Mexico and a bachelor's degree in science in electrical engineering from the University of Hong Kong. Mr. Lo has over 14 years of experience in software development and project management and has about 23 years of experience in power supply and PCM assembly industry. Mr. Lo is also the director of the subsidiaries of the Company.

Chan Hin Wing, James, aged 58, was appointed as an executive director on 1st November 2006. Mr. Chan graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan 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 currently the managing director of a company principally engaging in the field of nanotechnology.

Directors and Senior Management

Non-executive Director

Ho Hoi Lap, aged 58, was appointed as an non-executive director on 15th June 2007. Dr. Ho holds BA (Hon) from the Chinese University of Hong Kong, MSL from W. Michigan University, Ph.D. from the University of Chicago, and his J.D. from the John Marshall Law school, Chicago. Dr. Ho is an attorney of the United States specialising in international trade and investment and government regulatory work.

Independent Non-executive Directors

Kwok Chi Sun, Vincent, aged 44, who was also appointed as an audit committee member, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of four other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited and Kanhan Technologies Group Limited, the former three companies are listed on main board of the Stock Exchange while the last company is listed on GEM.

Yeung Kam Yan, aged 54, who was also appointed as an audit committee member, is a member of the Air & Waste Management Association - Hong Kong Section. Mr. Yeung has over 8 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Chan Wing Chiu, aged 76, who was also appointed as an audit committee member, holds a bachelor's degree in electrical engineering from the South China University of Guangzhou, the PRC. Mr. Chan has over 49 years of experience in the power supply industry. Mr. Chan had been a power designer for signalling and communication engineer for the Ministry of Railways, the PRC for more than 28 years.

Senior Management

Cheng Pui Ping, Grandy, the Chief Executive Officer and Chief Operating Officer of the electronic devices and components Group, is a founder of the electronic devices and components Group. She is responsible for formulating the overall business strategy and plans of Union Bridge Group. She has over 28 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 the electronic devices and components Group.

Kwong Fat Pui, 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 20 years of experience in the areas of power supply production and quality assurance. He is also a representative for ISO 9001. He joined the electronic devices and components Group in December 1992.

Directors and Senior Management

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

Kwok Wing Kuen, is the Design Assurance Manager of the electronic devices and components Group. He is responsible for the design control and assurance functions of the electronic devices and components 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 16 years of experience in quality control. He joined the electronic devices and components Group in March 1997.

Lo Kwok Choi, is the Engineering Supervisor of the electronic devices and components 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 17 years of experience working as an electrical engineer. He joined the electronic devices and components Group in October 1997.

Hsu Tung Sheng, is the director of Media Magic Technology Limited and Multi Channel Technology Limited, being two subsidiaries of the Company. He graduated from the National Chengchi University (Taiwan) with a bachelor's degree in law. He is responsible for the marketing, management function and business operation of the Media Magic Group. He has over 10 years' experience in advisory on management, operation and strategic planning.

Hsu Tung Chi, is the director of Media Magic Technology Limited and Multi Channel Technology Limited, being two subsidiaries of the Company. He graduated from the Fu Jen Catholic University (輔仁大學) with a bachelor's degree in Economics in Taiwan. He is responsible for the management function and business operation of the Media Magic Group. He has over 12 years' experience in senior management in several international conglomerates.

Yuan Sheng Jun, is the director of PalmPay Technology Co. Ltd., being a subsidiary of the Company. He graduated with a double degree of law and economics from the Renmin University (人民大學) of the PRC. He is responsible for the technical and operation aspects of the Media Magic Group. He has over 10 years' experience in senior management in the telecommunication sector in the PRC.

Law Ho Ming, is the Qualified Accountant, Company Secretary and Authorised Representative of the Company. He is an associate member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants. He holds a degree of Bachelor of Arts in Accountancy. He was first appointed as an assistant financial controller of the Company in May 2006.

Report of the Directors

The directors herein present their annual report and the audited financial statements of Union Bridge Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st March 2007.

CHANGE OF NAME

Pursuant to a special resolution passed at annual general meeting held on 10th August 2006, the name of the Company was changed from IA International Holdings Limited 毅興科技國際控股有限公司 to Union Bridge Holdings Limited 聯僑集團控股有限公司.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements in this annual report.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 5 to the financial statements in this annual report.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31st March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements in this annual report on pages 29 to 88.

The directors do not recommend the payment of any dividends during the year.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the five years ended 31st March 2007 and of the assets, liabilities and minority interests of the Group as at 31st March 2007, 2006, 2005, 2004 and 2003

Consolidated results

	Year ended 31st March				
	2007	2006	2005	2004	2003
	HK'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**110,074**	42,474	38,864	96,804	104,385
(Loss)/Profit before income tax	**(5,966)**	(8,013)	(25,110)	2,752	5,062
Income tax	**(2,652)**	353	1,841	(1,221)	(971)
(Loss)/Profit for the year	**(8,618)**	(7,660)	(23,269)	1,531	4,091
Attributable to:					
Equity holders of the Company	**(9,117)**	(7,649)	(23,143)	1,532	4,163
Minority interests	**499**	(11)	(126)	(1)	(72)
	(8,618)	(7,660)	(23,269)	1,531	4,091

Consolidated assets and liabilities and minority interests

	As at 31st March				
	2007	2006	2005	2004	2003
	HK'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**216,949**	127,170	29,935	54,432	59,293
Total liabilities	**(124,021)**	(106,140)	(11,118)	(11,065)	(18,697)
Minority interests	**(4,567)**	(1,988)	(1,999)	(2,125)	(2,126)
	88,361	19,042	16,818	41,242	38,470

Report of the Directors

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

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

ACQUISITION OF A SUBSIDIARY

During the year under review, the Company acquired 51% share capital of Media Magic Technology Limited and its subsidiaries ("Media Magic Group"). The Media Magic Group is principally engaged in the provision of diversified mobile payment gateway services. The provision of diversified mobile payment gateway services is of great potential and prospect in PRC as there is an increasing number of mobile phone users in the PRC under the environment of fast economic growth in the PRC.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 33 to 34 of the annual report and in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st March 2007, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$3,426,000 (2006: HK$10,281,000), as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK$57,163,000 as at 31st March 2007 (2006: HK$11,152,000) may be distributed in the form of fully paid bonus shares.

Report of the Directors

POST BALANCE SHEET EVENTS

(a) On 12th April 2007, the Company entered into a placing agreement to place 110,000,000 new shares to not less than six placees at the placing price of HK$0.47 per share. On 23rd April 2007, the placing has been completed, thereof creating an additional 110,000,000 shares in issue at that date. The total issued shares therefore increased from 969,417,500 to 1,079,417,500.

(b) On 20th April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited to an independent third party at a consideration of HK$150,000 (note 16).

(c) On 15th June 2007, Multi Channel Technology Limited ("MC"), a subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with a director of PalmPay Technology Company Limited ("PalmPay") and a connected person of the Company to purchase their entire interests in PalmPay which is a subsidiary of MM and indirectly held by the Company. Pursuant to the Agreement, the percentage of indirect equity interest held in PalmPay by the Company will be increased from approximately 49% to approximately 51% on completion. By a revolving facility letter signed between the Company and MC, the Company agreed to conditionally grant MC a revolving facility of up to a maximum amount of HK$22 million at any time during each of the three financial years ending 31st March 2010. Further details of the transactions have been disclosed in the announcement of the Company dated 21st June 2007.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for 71% (2006: 61%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for 22% (2006: 16%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for 42% (2006: 85%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for 26% (2006: 81%) of the total purchases for the year.

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

Report of the Directors

DIRECTORS

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

Executive directors:

Mr. Wan Kin Chung	
Mr. Cheng Kwong Chung	(Appointed on 1st April 2006)
Mr. Lo Ka Tong	(Appointed on 14th August 2006)
Mr. Chan Hin Wing, James	(Appointed on 1st November 2006)
Mr. Chan Francis Ping Kuen	(Appointed on 22nd May 2007)
Mr. Wong Tak Shing	(Appointed on 1st April 2006 and resigned on 22nd May 2007)
Mr. Zhang Fulin	(Resigned on 1st April 2006)

Non-executive director:

Dr. Ho Hoi Lap	(Appointed on 15th June 2007)

Independent non-executive directors:

Mr. Kwok Chi Sun Vincent	
Mr. Yeung Kam Yan	
Mr. Chan Wing Chiu	
Mr. Wong Hou Yan, Norman	(Resigned on 1st April 2006)

In accordance with Bye-law of the Company and the Appendix 15 of the GEM Listing Rules, Wan Kin Chung, Cheng Kwong Chung, Kwok Chi Sun Vincent, Yeung Kam Yan and Chan Wing Chiu will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election; meanwhile, Lo Ka Tong, Chan Hin Wing, James, Chan Francis Ping Kuen and Ho Hoi Lap shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and independent non-executive directors of the Company has entered into a letter of appointment with the Company for a term of one year commencing from the date of appointment, will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Report of the Directors

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2007, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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:

Long positions in shares of the Company:

Directors	**Nature of interest**	**Number of shares held**	**Approximate percentage of issued share capital**
Mr. Wan Kin Chung	Personal interest	450,000	0.05%
Mr. Wong Tak Shing *(Note 1)*	Personal interest	10,975,000	1.13%
Mr. Cheng Kwong Chung	Personal interest	5,625,000	0.58%
Mr. Lo Ka Tong	Personal interest	5,625,000	0.58%
Mr. Chan Hin Wing, James *(Note 2)*	Personal interest	9,550,000	0.99%

Notes:

1. Mr. Wong is interested in 5,175,000 shares and was granted options on 12th March 2007 to subscribe for 5,800,000 shares at a subscription price of HK$0.31 per share.

2. Mr. Chan was granted options on 12th March 2007 to subscribe for 9,550,000 shares at a subscription price of HK$0.31 per share.

Report of the Directors

Save as disclosed above, as at 31st March 2007, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st March 2007, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executives' interests in shares" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Shareholders	**Number of ordinary shares held**	**Approximate percentage of the shareholding in the Company**
Starryland Profits Limited *(Note 1)*	322,795,000	33.30%
Lau Kim Hung, Jack *(Note 1)*	322,795,000	33.30%
Chan Yiu Kan, Katie *(Note 1)*	322,795,000	33.30%
Union Bridge Power Systems Limited	155,917,500	16.08%
Hsu Tung Sheng *(Note 2)*	54,550,000	5.63%

Report of the Directors

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack. Ms. Chan Yiu Kan, Katie is deemed to be interested in the 322,795,000 shares of the Company by virtue of her being the spouse of Mr. Lau Kim Hung, Jack.

2. Mr. Hsu is interested in 45,000,000 shares and was granted options on 12th March 2007 to subscription for 9,550,000 shares at a subscription price of HK$0.31 per share.

Save as disclosed above, as at 31st March 2007, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 18th October 2001 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the year under the scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 31/3/2006	Granted during the year	Exercised during the year	Outstanding as at 31/3/2007
Directors							
Mr. Wan Kin Chung	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	300,000	300,000	–
Mr. Wong Tak Shing (Resigned on 22nd May 2007)	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	3,750,000	3,750,000	–
	12/03/2007	12/03/2007 – 11/03/2017	0.31	–	5,800,000	–	5,800,000
Mr. Cheng Kwong Chung	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	3,750,000	3,750,000	–
Mr. Lo Ka Tong	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	3,750,000	3,750,000	–
Mr. Chan Hin Wing, James	12/03/2007	12/03/2007 – 11/03/2017	0.31	–	9,550,000	–	9,550,000
Employees	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	10,950,000	10,950,000	–
	12/03/2007	12/03/2007 – 11/03/2017	0.31	–	38,200,000	14,000,000	24,200,000
Business associates	04/05/2006	04/05/2006 – 03/05/2016	0.138	–	7,500,000	7,500,000	–
				–	83,550,000	44,000,000	39,550,000

Report of the Directors

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

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

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

Report of the Directors

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31st March 2007 except that: (i) the role of Chairman and chief executive officer are not separated and are performed by the same individual; and (ii) no nomination committee of the Board is established.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18th October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the Committee currently comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31st March 2007 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CONNECTED PARTY TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31st March 2007.

AUDITORS

The consolidated financial statements for the year ended 31st March 2006 and 2005 were audited by Baker Tilly Hong Kong Limited. World Link CPA Limited was appointed as auditors of the Company by the shareholders of the Company at the Special General Meeting held on 27th April 2007.

The consolidated financial statements for the years ended 31st March 2007 have been audited by World Link CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Wan Kin Chung
Chairman

Hong Kong
22nd June 2007

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31st March 2007.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board members for the year ended 31st March 2007 were:

Executive directors:

Mr. Wan Kin Chung *(Chairman)*	
Mr. Cheng Kwong Chung	(Appointed on 1st April 2006)
Mr. Lo Ka Tong	(Appointed on 14th August 2006)
Mr. Chan Hin Wing, James	(Appointed on 1st November 2006)
Mr. Chan Francis Ping Kuen	(Appointed on 22nd May 2007)
Mr. Wong Tak Shing	(Appointed on 1st April 2006 and resigned on 22nd May 2007)
Mr. Zhang Fulin	(Resigned on 1st April 2006)

Non-executive director:

Dr. Ho Hoi Lap	(Appointed on 15th June 2007)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent	
Mr. Yeung Kam Yan	
Mr. Chan Wing Chiu	
Mr. Wong Hou Yan, Norman	(Resigned on 1st April 2006)

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

Corporate Governance Report

The directors' biographical information is set out on pages 10 to 11 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

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

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

The Board held a full board meeting for each quarter.

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

Directors		**Attendance**
Mr. Wan Kin Chung		4/4
Mr. Cheng Kwong Chung	(Appointed on 1st April 2006)	4/4
Mr. Lo Ka Tong	(Appointed on 14th August 2006)	2/4
Mr. Chan Hin Wing, James	(Appointed on 1st November 2006)	2/4
Mr. Chan Francis Ping Kuen	(Appointed on 22nd May 2007)	0/4
Dr. Ho Hoi Lap	(Appointed on 15th June 2007)	0/4
Mr. Kwok Chi Sun, Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Chan Wing Chiu		4/4
Mr. Wong Tak Shing	(Appointed on 1st April 2006 and resigned on 22nd May 2007)	4/4
Mr. Wong Hou Yan, Norman	(Resigned on 1st April 2006)	0/4
Mr. Zhang Fulin	(Resigned on 1st April 2006)	0/4

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

Chairman and Chief Executive Officer

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

Corporate Governance Report

Non-executive Director

Code provision A.4.1 provides that Non-executive director should be appointed for a specific term and subject to re-election. The Company's non-executive director has been appointed for specific term and subject to re-election.

Remuneration of Directors

The remuneration committee was established in January 2006 with written terms of reference in compliance with the code provision. The remuneration committee consists of four members, of which three are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, and one is executive director being Mr. Wan Kin Chung. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

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

During the period under review, a meeting of the remuneration committee was held in February 2007. Details of the attendance of the meeting of the remuneration committee are as follows:

Members		**Attendance**
Mr. Wan Kin Chung		1/1
Mr. Kwok Chi Sun, Vincent		1/1
Mr. Yeung Kam Yan		1/1
Mr. Chan Wing Chiu		1/1
Mr. Wong Hou Yan, Norman	(Resigned on 1st April 2006)	0/1
Mr. Zhang Fulin	(Resigned on 1st April 2006)	0/1

Nomination of Directors

No nomination committee was established by the Company. The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

Auditors' Remuneration

The Company has appointed World Link CPA Limited as the auditors of the Group (the "Auditors"). The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors only performed the work of statutory audit for the year ended 31st March 2007 and did not involve any non-audit assignment of the Group. The remuneration of the Auditors for the year ended 31st March 2007 is approximately HK$648,000.

Corporate Governance Report

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 three members, 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.

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

Members		Attendance
Mr. Kwok Chi Sun, Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Chan Wing Chiu		4/4
Mr. Wong Hou Yau, Norman	(Resigned on 1st April 2006)	0/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31st March 2007 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Directors' and Auditors' Responsibility for the Financial Statements

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

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

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

Report of the Auditors

Independent Auditors' Report
to the shareholders of Union Bridge Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Union Bridge Holdings Limited (the "Company") set out on pages 29 to 88, which comprise the consolidated and company balance sheets as at 31st March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

We conduct our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial statements.

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

Report of the Auditors

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FUNDAMENTAL UNCERTAINTY

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$8,618,000 for the year ended 31st March 2007, and had net current liabilities of HK$1,463,000 as at 31st March 2007. As described in note 2.1, the consolidated financial statements of the Group had been prepared on a going concern basis in the light of the directors taking steps to improve the operating cash flows and financial performance of the Group and the profit guaranteed from a subsidiary.

World Link CPA Limited
5/F., Far East Consortium Building
121 Des Voeux Road Central
Hong Kong, 22nd June 2007

Chan Cheuk Chi
Practising Certificate Number P01137

Consolidated Income Statement

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
TURNOVER	6	**110,074**	42,474
Cost of sales		**(85,818)**	(38,096)
Gross profit		**24,256**	4,378
Other revenue	7	**1,329**	318
Distribution costs		**(1,217)**	(126)
Administrative expenses		**(21,216)**	(5,517)
Other operating expenses		**–**	(415)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	8	**3,152**	(1,362)
Provision for impairment loss of fixed assets	15	**–**	(5,000)
Provision for impairment loss of available-for-sale financial assets		**(570)**	(657)
Finance costs	9	**(8,361)**	(994)
Share of loss from an associate	34	**(187)**	–
LOSS BEFORE INCOME TAX		**(5,966)**	(8,013)
Income tax	11	**(2,652)**	353
LOSS FOR THE YEAR		**(8,618)**	(7,660)
ATTRIBUTABLE TO:	12		
Equity holders of the Company		**(9,117)**	(7,649)
Minority interests		**499**	(11)
LOSS FOR THE YEAR		**(8,618)**	(7,660)
DIVIDENDS	13	**–**	–
LOSS PER SHARE	14		
– Basic		**HK cent (1.78)**	HK cent (2.53)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Fixed assets	15	**39,822**	20,986
Available-for-sale financial assets	16	**150**	720
Intangible assets	18	**60,730**	25,537
Deferred tax assets	32	**430**	658
		101,132	47,901
CURRENT ASSETS			
Inventories	19	**38,484**	20,856
Accounts receivable	20	**21,756**	33,663
Prepayments, deposits and other receivables		**7,469**	6,756
Financial assets at fair value through profit or loss	21	**–**	2,325
Tax prepaid		**64**	6
Pledged time deposits	22	**14,260**	11,239
Cash and cash equivalents	22	**33,784**	4,424
		115,817	79,269
CURRENT LIABILITIES			
Accounts payable	23	**20,087**	10,330
Bank borrowings	24	**64,517**	62,413
Current portion of finance lease payables	25	**2,778**	2,368
Other loans	26	**1,044**	1,134
Accrued expenses and other payables		**7,886**	3,064
Amount due to a shareholder		**215**	999
Amount due to a shareholder of a subsidiary		**13,741**	–
Promissory notes	28	**6,158**	–
Tax payable		**854**	973
		117,280	81,281
NET CURRENT LIABILITIES		**(1,463)**	(2,012)
TOTAL ASSETS LESS CURRENT LIABILITIES		**99,669**	45,889

Consolidated Balance Sheet

As at 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	24	**1,153**	1,045
Finance lease payables	25	**4,005**	2,592
Convertible notes	27	**–**	8,415
Promissory notes	28	**–**	12,636
Provision for long service payment		**171**	171
Deferred tax liabilities	32	**1,412**	–
		6,741	24,859
NET ASSETS		**92,928**	21,030
CAPITAL AND RESERVES			
Share capital	29	**48,471**	18,750
Reserves	31	**39,890**	292
		88,361	19,042
MINORITY INTERESTS		**4,567**	1,988
TOTAL EQUITY		**92,928**	21,030

Approved by the board of directors on 22nd June 2007.

Wan Kin Chung
Director

Chan Francis Ping Kuen
Director

Balance Sheet

As at 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**13,172**	13,172
Amounts due from subsidiaries	17	**13,158**	12,636
		26,330	25,808
CURRENT ASSETS			
Amounts due from subsidiaries	17	**59,767**	37,365
Tax prepaid		**–**	4
Cash and cash equivalents	22	**31,948**	1,138
		91,715	38,507
CURRENT LIABILITIES			
Bank overdraft, unsecured		**–**	132
Accrued expenses and other payables		**347**	1,065
Amount due to a shareholder		**–**	999
Promissory notes	28	**6,158**	–
		6,505	2,196
NET CURRENT ASSETS		**85,210**	36,311
TOTAL ASSETS LESS CURRENT LIABILITIES		**111,540**	62,119
NON-CURRENT LIABILITIES			
Convertible notes	27	**–**	8,415
Promissory notes	28	**–**	12,636
		–	21,051
NET ASSETS		**111,540**	41,068
CAPITAL AND RESERVES			
Share capital	29	**48,471**	18,750
Reserves	31	**63,069**	22,318
		111,540	41,068

Approved by the board of directors on 22nd June 2007.

Wan Kin Chung
Director

Chan Francis Ping Kuen
Director

Statement of changes in equity of the Group and the Company

For the year ended 31st March 2007

Group

	Share capital HK$'000	Share premium HK$'000	Contri-buted surplus HK$'000	Ex-change reserve HK$'000	Conver-tible notes reserve HK$'000	Share option reserve HK$'000	Accumu-lated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April 2005	15,000	5,902	6,015	108	–	–	(10,207)	16,818	1,999	18,817
Arising on consolidation of subsidiaries	–	–	–	(12)	–	–	–	(12)	–	(12)
Issue of share capital *(note 29 (i))*	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)
At 31st March 2006	18,750	11,152	6,015	96	885	–	(17,856)	19,042	1,988	21,030
Acquired on acquisition of subsidiaries	–	–	–	10	–	–	–	10	2,080	2,090
Arising on consolidation of subsidiaries	–	–	–	1,099	–	–	–	1,099	–	1,099
Issue of share capital *(note 29 (iii), (vii))*	18,924	18,185	–	–	–	–	–	37,109	–	37,109
Recognition of equity-settled share-based payment *(note 30)*	–	–	–	–	–	3,719	–	3,719	–	3,719
Issue of consideration shares *(note 29 (v))*	1,500	4,500	–	–	–	–	–	6,000	–	6,000
Share option exercised *(note 29 (ii), (viii))*	2,200	7,519	–	–	–	(1,239)	–	8,480	–	8,480
Exercise of warrants *(note 29 (iv))*	4,650	10,695	–	–	–	–	–	15,345	–	15,345
Conversion of convertible notes *(note 29 (vi))*	2,447	7,737	–	–	(885)	–	–	9,299	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	(2,625)	–	(2,625)
Net loss for the year	–	–	–	–	–	–	(9,117)	(9,117)	499	(8,618)
At 31st March 2007	48,471	57,163	6,015	1,205	–	2,480	(26,973)	88,361	4,567	92,928

Statement of changes in equity of the Group and the Company

For the year ended 31st March 2007

Company

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2005	15,000	5,902	12,947	–	–	(386)	33,463
Issue of share capital *(note 29 (i))*	3,750	5,250	–	–	–	–	9,000
Issue of convertible notes *(note 27)*	–	–	–	885	–	–	885
Net loss for the year	–	–	–	–	–	(2,280)	(2,280)
At 31st March 2006	18,750	11,152	12,947	885	–	(2,666)	41,068
Issue of share capital *(note 29 (iii), (vii))*	18,924	18,185	–	–	–	–	37,109
Recognition of equity-settled share-based payment *(note 30)*	–	–	–	–	3,719	–	3,719
Issue of consideration shares *(note 29 (v))*	1,500	4,500	–	–	–	–	6,000
Share option exercised *(note 29 (ii), (viii))*	2,200	7,519	–	–	(1,239)	–	8,480
Exercise of warrants *(note 29 (iv))*	4,650	10,695	–	–	–	–	15,345
Conversion of convertible notes *(note 29 (vi))*	2,447	7,737	–	(885)	–	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	(2,625)
Net loss for the year	–	–	–	–	–	(6,855)	(6,855)
At 31st March 2007	48,471	57,163	12,947	–	2,480	(9,521)	111,540

Consolidated cash flow statement

For the year ended 31st March 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Loss before income tax	**(5,966)**	(8,013)
Adjustments for:		
Depreciation	**4,879**	1,372
Amortisation of product development costs	**2,143**	161
Gain on disposals of fixed assets	**(71)**	–
Provision for impairment loss on available-for-sale financial assets	**570**	657
Provision for impairment loss on fixed assets	**–**	5,000
Share-based payments	**3,719**	–
Share of loss from an associate	**187**	–
Interest expenses	**8,361**	994
Interest income	**(711)**	(108)
Operating cash flows before movements in working capital	**13,111**	63
(Increase)/decrease in inventories	**(17,628)**	8,176
Decrease/(increase) in accounts receivable	**12,597**	(1,739)
Decrease in prepayments, deposits and other receivables	**285**	3,627
Increase/(decrease) in accounts payable	**9,757**	(7,788)
Increase/(decrease) in accrued expenses and other payables	**3,759**	(86)
Cash generated from operating activities	**21,881**	2,253
Interest paid	**(6,191)**	(994)
Hong Kong profits tax refunded	**4**	934
Hong Kong profits tax paid	**(264)**	(4)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**15,430**	2,189
INVESTING ACTIVITIES		
Interest received	**711**	108
Sales proceeds from disposals of fixed assets	**1,000**	795
Decrease in financial assets at fair value through profit or loss	**2,325**	–
Acquisition of subsidiaries	**(9,468)**	–
(Increase)/decrease in pledged time deposits	**(3,021)**	2,315
Payment for purchases of fixed assets	**(14,189)**	(1,626)
Product development costs paid	**(4,364)**	(833)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(27,006)**	759
FINANCING ACTIVITIES		
Payment of obligations under finance leases	**(2,905)**	(202)
Proceeds from new bank loans	**1,333**	28
Net proceeds from issue of shares	**58,308**	–
Repayment of bank loans	**–**	(254)
Repayment of bank export and import loan	**(1,680)**	–
Advances from a shareholder	**–**	880
Repayment of promissory notes	**(17,120)**	–
(Repayment of)/proceeds from other loans	**(90)**	10
Repayment of bank overdraft by a newly acquired subsidiary	**–**	(25,600)

Consolidated cash flow statement

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**37,846**	(25,138)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**26,270**	(22,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**(22,124)**	78
CHANGES IN FOREIGN EXCHANGE RATES		**531**	(12)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*22*	**4,677**	(22,124)

Non-cash transactions:

1. During the year, the Group acquired 51% interest in Media Magic Technology Limited and its subsidiaries for a total consideration of HK$26.1 million, comprised of the allotment and issue of ordinary shares of the Company totalling HK$6.0 million at an issue price of HK$0.2 per share, the issue of promissory notes of the Company amounting to HK$10.1 million.

2. During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$6,105,000 (2006: HK$4,123,000).

Notes to the Financial Statements

31st March 2007

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") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1st November 2001. Details of the group reorganisation are set out in the Company's prospectus dated 24th October 2001.

The principal activity of the Company is investment holding. The Company and its subsidiaries ("the Group") are principally engaged in the research, development and provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the provision of mobile payment gateway services and 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 Room 1805-06, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, Hong Kong.

By a special resolution passed on 10th August 2006, the name of the Company was changed from "IA International Holdings Limited 毅興科技國際控股有限公司" to "Union Bridge Holdings Limited 聯僑集團控股有限公司".

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

Unless otherwise stated, the Group's consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000).

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1 Going concern assumptions

The Group incurred a loss of approximately HK$8,618,000 for the year ended 31st March 2007 and had net current liabilities of approximately HK$1,463,000 at 31st March 2007. Nevertheless, the directors have adopted the going concern basis in the preparation of these consolidated financial statements based on the following:

– The directors are taking steps in order to improve the Group's financial position, immediate cash flows and profitability. These steps include a private placement of its equity shares in April 2007 which raised HK$51,700,000 and various other measures to reduce costs and improve the operating cash flows. Details are set out in note 38(a).

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Going concern assumptions *(Continued)*

– During the year, in order to diversify its revenue, the Group explored the business opportunities in the diversified mobile payment gateway services which are of great potential and prospect in The People's Republic of China ("PRC"). The Group entered into a Sales and Purchase Agreement ("the Agreement") with Mr. Hsu Tung Sheng ("Mr. Hsu") to acquire 51% equity interest in Media Magic Technology Limited ("MM"). Pursuant to the Agreement, Mr. Hsu has guaranteed and warranted that the audited consolidated net profit after taxation and exceptional items (the "audited profit") of MM for the year ended 31st March 2008 will not be less than RMB8 million. If the 2008 guaranteed profit (the "2008 guaranteed profit") is not achieved, Mr. Hsu will indemnify the Group for any shortfall between the audited profit and the 2008 guaranteed profit on a dollar to dollar basis.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operation and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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 preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving high degree of judgement or where assumptions and estimates are significant to the consolidated financial statements are summarised in Note 4.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation *(Continued)*

Adoption of HKFRS

In 2006, the HKICPA has issued new and revised HKFRS that are effective or available for early adoption for the current accounting period of the Group. The Group adopts the standard, amendments and interpretation, which are relevant to its operation.

The adoption of these new and revised HKFRS have no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

At the date of this report, the Group has not early adopted the following new and revised HKFRS that have been issued but not yet effective for the current accounting period.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

[1] Effective for annual period beginning on or after 1st January 2007
[2] Effective for annual period beginning on or after 1st January 2009
[3] Effective for annual period beginning on or after 1st May 2006
[4] Effective for annual period beginning on or after 1st June 2006
[5] Effective for annual period beginning on or after 1st November 2006
[6] Effective for annual period beginning on or after 1st March 2007
[7] Effective for annual period beginning on or after 1st January 2008

The directors of the Company anticipate that the application of these new and revised standards will have no significant impact on the results and financial position of the Group.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.3 Consolidation

(a) *Subsidiaries*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st March 2007.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement after reassessment.

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

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

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.4 Fixed assets

Fixed assets are stated at historical 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%
Tooling	20%
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%

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.

2.5 Available-for-sale financial assets

Available-for-sale financial assets 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.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.6 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. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 after reassessment.

2.7 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.

2.8 Technical know-how

Technical know-how with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.9 Income tax

Income tax for the year composes current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES

2.9 Income tax *(Continued)*

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.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

2.11 Accounts receivable

Accounts 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 accounts receivable 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.

2.12 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.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.13 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.

2.14 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 current and 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 expensed in the income statement. The amortisation of the leasehold land and land use rights is capitalised 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.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.15 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 which contain both a liability component and an equity component. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and 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. Transaction 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 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 amount 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 convertible notes reserve is released directly to retained profits.

2.16 Promissory notes

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

2.17 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:

(a) 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.

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

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

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.17 Revenue recognition *(Continued)*

(d) Revenue from provision of design and engineering services is recognised, when services are rendered.

(e) Revenue from provision of mobile payment gateway services is recognised, when services are rendered.

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

(g) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2.18 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.18 Foreign currency translation *(Continued)*

(c) Group companies (Continued)

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised 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 recognised until the time of leave.

(b) Employee retirement benefits

The Group, other than the subsidiaries in the 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.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(b) *Employee retirement benefits* (Continued)

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.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employees services received in exchange for the grant of the options is recognised as an expense. The total amount to be expended over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions (for example, profitability and sales growth potential).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Provision

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

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

2.21 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.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.22 Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.23 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.

Notes to the Financial Statements

31st March 2007

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.24 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.

2.25 Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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, available-for-sale financial assets, 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.

Notes to the Financial Statements

31st March 2007

3. 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 HKD, Renminbi ("RMB"), United States Dollars ("USD") 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.

Notes to the Financial Statements

31st March 2007

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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

(e) Fair values

The carrying amounts of the financial assets and liabilities in the financial statements approximate their fair values.

4. 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.

Notes to the Financial Statements

31st March 2007

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

(c) Income taxes *(Continued)*

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.

Notes to the Financial Statements

31st March 2007

5. 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 appliances 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;

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

(e) the mobile payment gateway services segment provides e-payment services.

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.

Notes to the Financial Statements

31st March 2007

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments

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

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Mobile payment gateway services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**2,147**	23,982	**–**	925	**99,972**	16,480	**4,777**	1,087	**3,178**	–	**110,074**	42,474
RESULTS												
Segment results	**192**	(4,957)	**–**	351	**18,821**	1,867	**2,065**	879	**3,178**	–	**24,256**	(1,860)
Other revenue											**1,329**	302
Distribution costs											**(1,217)**	(54)
Administrative and other operating expenses											**(21,216)**	(4,750)
Profit/(loss) from operating activities											**3,152**	(6,362)
Provision for impairment loss on available-for-sale financial assets											**(570)**	(657)
Finance costs											**(8,361)**	(994)
Share of loss from an associate											**(187)**	–
Loss before income tax											**(5,966)**	(8,013)
Income tax											**(2,652)**	353
Loss for the year											**(8,618)**	(7,660)

Notes to the Financial Statements

31st March 2007

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Mobile payment gateway services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**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	**241**	6,708	**–**	–	**38,506**	46,376	**14,776**	14,050	**9,319**	–	**62,842**	67,134
Unallocated assets											**154,107**	60,036
Total assets											**216,949**	127,170
LIABILITIES												
Segment liabilities	**36**	71	**–**	–	**20,051**	10,259	**–**	–	**–**	–	**20,087**	10,330
Unallocated liabilities											**103,934**	95,810
Total liabilities											**124,021**	106,140
Other segment information:												
Depreciation	**248**	781	**–**	–	**–**	–	**–**	–	**266**	–	**514**	781
Depreciation – unallocated											**4,365**	591
Capital expenditure – unallocated											**18,917**	1,626

Notes to the Financial Statements

31st March 2007

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

A summary of the geographical segments as at 31st March 2007 is set out as follows:

	Turnover		Capital expenditure		Total assets	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Asia & Middle East	**32,462**	27,348	**18,917**	1,626	**198,971**	99,962
United States of America ("USA")	**19,580**	9,105	**–**	–	**5,944**	12,776
United Kingdom ("UK")	**31,147**	2,795	**–**	–	**4,948**	2,456
Europe	**26,877**	2,428	**–**	–	**5,674**	6,627
Others	**8**	798	**–**	–	**1,412**	5,349
	110,074	42,474	**18,917**	1,626	**216,949**	127,170

6. 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	
	2007	2006
	HK$'000	HK$'000
Trading of internet appliances and related products	**2,147**	24,926
E-commerce, platform and related services	**–**	925
Trading and manufacturing of electronic devices and components	**99,972**	16,480
Design and engineering services	**4,777**	1,087
Mobile payment gateway services	**3,178**	–
Less: Sales discounts	**–**	(944)
	110,074	42,474

Notes to the Financial Statements

31st March 2007

7. OTHER REVENUE

	Group	
	2007	2006
	HK$'000	HK$'000
Interest income	**711**	108
Exchange gain, net	**321**	7
Gain on disposal of fixed assets	**71**	–
Setup fee for computer networks and others	**–**	203
Sundry income	**226**	–
	1,329	318

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2007	2006
	HK$'000	HK$'000
Crediting:		
Interest income	**711**	108
Exchange gain, net	**321**	7
Gain on disposal of fixed assets	**71**	–
Charging:		
Auditors' remuneration	**648**	359
Amortisation of product development costs	**2,143**	161
Cost of inventories sold	**85,818**	38,096
Depreciation of fixed assets	**4,879**	1,372
Impairment loss on fixed assets	**–**	5,000
Impairment loss on available-for-sale financial assets	**570**	657
Operating leases in respect of land and buildings	**2,106**	456
Research and development costs	**–**	307
Pension scheme contributions	**686**	37
Staff costs (excluding directors' remuneration)		
Salaries and allowances	**14,709**	893
Share-based payments	**2,618**	–

Staff costs and directors' remuneration amounting to HK$3,943,000 (2006: HK$177,000) in relation to research and development are capitalised in "product development costs" (note 18).

Notes to the Financial Statements

31st March 2007

9. FINANCE COSTS

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Interest on:			
Bank overdrafts, bills and loans wholly repayable within five years		**5,570**	952
Finance leases		**486**	32
Convertible notes	*27*	**885**	–
Promissory notes repayable within five years		**1,285**	–
Other loans		**135**	10
		8,361	994

Notes to the Financial Statements

31st March 2007

10. 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:

	Group	
	2007	2006
	HK$'000	HK$'000
Independent non-executive directors:		
Fees	**180**	148
Basic salaries, allowances and benefits in kind	**–**	152
	180	300
Executive directors:		
Basic salaries, allowances and benefits in kind	**1,430**	–
Contributions to mandatory provident fund	**23**	–
Share-based payments	**1,102**	–
	2,555	–
	2,735	300

The remuneration of the directors of the Company fell within the following bands:

	Number of directors	
	2007	2006
Emolument band		
Nil to HK$1,000,000	**7**	12
HK$1,000,001 to HK$2,000,000	**1**	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: 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 (2006: Nil).

Notes to the Financial Statements

31st March 2007

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

(b) The emolument of each director of the Company for the year is set out below:

	2007					2006
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Wan Kin Chung	–	–	–	4	4	–
Lo Ka Tong (appointed on 14th August 2006)	–	1,260	12	45	1,317	–
Wong Tak Shing (appointed on 1st April 2006 and resigned on 22nd May 2007)	–	120	6	409	535	–
Chan Hin Wing James (appointed on 1st November 2006)	–	50	5	599	654	–
Cheng Kwong Chung (appointed on 1st April 2006)	–	–	–	45	45	–
Zhang Fulin (resigned on 1st April 2006)	–	–	–	–	–	–
	–	1,430	23	1,102	2,555	–
Non-executive Directors						
Kwok Chi Sun Vincent	60	–	–	–	60	37
Yeung Kam Yan	60	–	–	–	60	37
Chan Wing Chiu	60	–	–	–	60	189
Wong Hou Yan Norman (resigned on 1st April 2006)	–	–	–	–	–	37
Total	180	–	–	–	180	300

Notes to the Financial Statements

31st March 2007

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

(c) The five highest paid employees during the year included no (2006: Nil) directors. Details of the remuneration of the five (2006: five) highest paid employees are set out as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,201**	374
Pension scheme contributions	**60**	8
	3,261	382

The remuneration of each of the above five highest paid employees fell within the following bands:

	Number of employee	
	2007	2006
Emolument band		
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$2,000,000	**1**	–

During the year, no remuneration 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 (2006: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2006: Nil).

Notes to the Financial Statements

31st March 2007

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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	
	2007	2006
	HK$'000	HK$'000
Current tax-provision for Hong Kong profits tax		
Current year	**292**	148
Over provision in prior years	**(208)**	(278)
Under provision in prior years	**–**	10
	84	(120)
Deferred tax *(note 32)*	**2,568**	(233)
Tax charge/(credit) for the year	**2,652**	(353)

Notes to the Financial Statements

31st March 2007

11. INCOME TAX *(Continued)*

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

	Group 2007 HK$'000	2006 HK$'000
Loss before income tax	**(5,966)**	(8,013)
Tax at the domestic tax rate of 17.5% (2006: 17.5%)	**(1,044)**	(1,402)
Effect of different tax rates of a subsidiary company operating in the PRC	**219**	482
Tax effect on non-deductible expenses	**2,716**	750
Tax effect of non-taxable revenue	**(1,506)**	(568)
Tax effect on accelerated depreciation allowance	**(35)**	9
Tax effect on unused tax losses not recognised	**2,510**	644
Over provision in the prior years	**(208)**	(278)
Under provision in the prior years	**–**	10
Tax charge/(credit) for the year	**2,652**	(353)

Details of movement of the Group's deferred tax assets are set out in note 32 to the financial statements.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31st March 2007 dealt with in the financial statements of the Company was HK$6,855,000 (2006: HK$2,280,000).

13. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2006: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$9,117,000 (2006: HK$7,649,000) and on the weighted average number of 513,322,041 (2006: 302,465,753) ordinary shares of the Company in issue during the year.

Diluted loss per share is not presented as share options outstanding during the year had an anti-dilutive effects on the basic loss per share.

Notes to the Financial Statements

31st March 2007

15. FIXED ASSETS

	Group							
	Land and buildings	**Tooling**	**Leasehold improvements**	**Furniture and fixtures**	**Computer and office equipment**	**Motor vehicles**	**Plant and machinery**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost/Carrying value								
At 1st April 2005	–	–	927	182	1,438	524	7,819	10,890
Arising 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 1st April 2006	5,083	789	1,974	193	3,338	9	12,814	24,200
Exchange translation differences	–	19	220	49	139	–	728	1,155
Arising on acquisition of subsidiaries	–	–	336	13	4,811	–	–	5,160
Additions	–	636	4,754	334	1,413	–	11,780	18,917
Disposals	–	–	–	–	–	–	(2,819)	(2,819)
At 31st March 2007	5,083	1,444	7,284	589	9,701	9	22,503	46,613
Accumulated depreciation								
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 1st April 2006	29	18	697	94	488	9	1,879	3,214
Exchange translation differences	–	6	127	48	(31)	–	437	587
Charge for the year	215	256	668	55	1,274	–	2,411	4,879
Written back on disposals	–	–	–	–	–	–	(1,889)	(1,889)
At 31st March 2007	244	280	1,492	197	1,731	9	2,838	6,791
Net book values								
At 31st March 2007	4,839	1,164	5,792	392	7,970	–	19,665	39,822
At 31st March 2006	5,054	771	1,277	99	2,850	–	10,935	20,986

Notes to the Financial Statements

31st March 2007

15. FIXED ASSETS *(Continued)*

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 2007 amounted to HK$11,177,000 (2006: HK$6,925,000).

(iii) As at 31st March 2007, the Group's land and buildings with net book value of HK$4,839,000 (2006: HK$5,054,000) 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.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities, at cost	**10,800**	10,800
Transfer from capital reserve account	**(1,200)**	(1,200)
Provision for impairment loss	**(9,450)**	(8,880)
	150	720

In April 2007, the Group disposed of its entire shareholdings in MP Logisitics International Holdings Limited, a company listed in GEM, through disposal of its entire interest in one of the subsidiary, Sunny Sky Investments Management Limited, to an independent third party at a consideration of HK$150,000. The market value of the shares at the date of disposal is approximately HK$3,420,000.

Provision for impairment loss as at 31st March 2007 amounting to HK$9,450,000 is determined based on the consideration received after the year end as mentioned above. In 2005, the provision was 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 2007 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

17. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**13,172**	13,172
Amounts due from subsidiaries	**72,925**	50,001
	86,097	63,173

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

Details of principal subsidiaries are as follows:

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

Notes to the Financial Statements

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

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
IA Enterprise Limited *(Note i)*	Hong Kong	HK$1,000,000 Ordinary	–	100	Trading of internet appliances
Sunny Sky Investments Management Limited *(Note i)*	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
Union Bridge Group Limited *(Note ii)*	British Virgin Islands	US$3,750 Ordinary	–	100	Investment holding
Union Bridge International Limited *(Note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Trading of electronic devices
Union Bridge Investment Limited *(Note ii)*	Hong Kong	HK$80,767 Ordinary	–	100	Investment holding and trading of electronic devices
Popbridge Industrial Limited *(Note ii)*	Hong Kong	HK$8,230,603 Ordinary	–	100	Investment holding and trading of electronic devices and provision of design and engineering services
Popbridge Manufacturing Limited *(Note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Investment holding and subcontracting services of electronic devices
Dongguan Popbridge Electronic Co., Limited *(Note ii)*	PRC	HK$18,650,000	–	100	Manufacturing of electronic devices
Sun Bridge Group Limited *(Note ii)*	British Virgin Islands	US$1 Ordinary	–	100	Investment holding

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

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/registered capital	Percentage of attributable equity interest Direct	Percentage of attributable equity interest Indirect	Principal activities
Sun Bridge Industrial Company Limited *(Note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Dormant
Popbridge Group Limited *(Note ii)*	British Virgin Islands	US$1 Ordinary	–	100	Dormant
Upper Power Limited *(Note iii)*	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
Media Magic Technology Limited *(Note iii)*	British Virgin Islands	US$55,556 Ordinary	–	51	Investment holding
Multi Channel Technology Limited *(Note iii)*	Hong Kong	HK$100 Ordinary	–	51	Investment holding
北京東方匯眾企業管理有限公司 *(Note iii)*	PRC	RMB990,900 Ordinary	–	51	Consultancy services
PalmPay Technology Co Limited *(Note iii)*	PRC	RMB10,000,000 Ordinary	–	49 **	Provision of mobile gateway payment services

** During the year, the Group acquired Media Magic Technology Limited which has the power to govern the financial and operating policies of PalmPay Technology Company Limited

Note i: The financial statements of the above companies for the year ended 31st March 2007 have been audited by World Link CPA Limited.

Note ii: The financial statements of this company for the period ended 31st March 2007 have been audited by other auditors.

Note iii: These companies were acquired during the year. The financial statements of these companies for the year ended 31st March 2007 have been audited by other auditors.

Notes to the Financial Statements

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18. INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Product development costs HK$'000	Technical know-how HK$'000	Total HK$'000
Cost				
At 1st April 2005	–	–	–	–
Arising on acquisition of subsidiaries	14,483	10,382	–	24,865
Additions	–	833	–	833
At 1st April 2006	14,483	11,215	–	25,698
Arising on acquisition of subsidiaries	23,358	–	9,614	32,972
Additions	–	4,364	–	4,364
At 31st March 2007	37,841	15,579	9,614	63,034
Accumulated amortisation				
At 1st April 2005	–	–	–	–
Charge for the year	–	161	–	161
At 1st April 2006	–	161	–	161
Charge for the year	–	2,143	–	2,143
At 31st March 2007	–	2,304	–	2,304
Net book values				
At 31st March 2007	37,841	13,275	9,614	60,730
At 31st March 2006	14,483	11,054	–	25,537

Notes to the Financial Statements

31st March 2007

18. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) Goodwill is allocated to the group's cash-generating units ("CGU") identified according to the country of operation and business segment as follows:

	2007	2006
	HK$'000	HK$'000
Manufacturing and trading of electronic products	**14,483**	14,483
Mobile payment gateway services	**23,358**	–
	37,841	14,483

As at 31st March 2007, these CGU are manufacturing and trading of electronic products and provision of mobile payment gateway services in Asia & Middle East, 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 as approved by the directors.

Key assumptions used for value-in-use calculations:

	Manufacturing and trading of electronic products		**Mobile payment gateway servcies**	
	2007	2006	**2007**	2006
	%	%	**%**	%
Growth rate	**10**	10	**10-50***	–
Discount rate	**7.75**	8.25	**7.75**	–

* The turnover will increase by 50%, 40%, 30%, 20% and 10% in the coming five years.

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 2007, 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.

(iii) The technical know-how, named 通用消息服務系統技術, is a newly developed technology from Short Message Sub-Gateway Services. The technical know-how is treated as having an indefinite useful life because, in the opinion of the directors, there is no foreseeable limit to the period over which the technical knowhow may be used to generate cash flows to the Group. Technical know-how with indefinite useful lives are tested for impairment annually and are not amortised.

Notes to the Financial Statements

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19. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**27,244**	15,113
Work in progress	**10,363**	5,240
Finished goods	**877**	503
	38,484	20,856

No inventories were carried at net realisable value as at 31st March 2007 (2006: Nil).

20. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable (net of impairment losses for bad and doubtful debts) at the balance sheet date, based on the date of goods delivered, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**8,327**	16,556
31-60 days	**3,774**	4,027
61-90 days	**4,164**	3,384
91-120 days	**1,473**	5,911
Over 120 days	**4,018**	3,785
	21,756	33,663

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	
	2007	2006
	HK$'000	HK$'000
United States Dollars	**18,714**	13,025
Renminbi	**2,992**	–
	21,706	13,025

Notes to the Financial Statements

31st March 2007

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted investment, at fair value	**–**	2,325

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**6,784**	4,424	**4,948**	1,138
Pledged time deposits	**14,260**	11,239	**–**	–
Short-term time deposits	**27,000**	–	**27,000**	–
	48,044	15,663	**31,948**	1,138
Less: Pledged time deposits	**(14,260)**	(11,239)	**–**	–
Cash and cash equivalents in the balance sheet	**33,784**	4,424	**31,948**	1,138
Bank overdrafts *(note 24)*	**(29,107)**	(26,548)		
Cash and cash equivalents in the consolidated cash flow statements	**4,677**	(22,124)		

The time deposits have been pledged to secure general banking facilities to the Group's subsidiaries.

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	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**5,170**	6,131
31-60 days	**3,149**	1,605
61-90 days	**3,032**	1,540
91-120 days	**1,270**	372
Over 120 days	**7,466**	682
	20,087	10,330

Notes to the Financial Statements

31st March 2007

23. ACCOUNTS PAYABLE *(Continued)*

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	
	2007	2006
United States Dollars	**2,065**	1,807
Euro	**194**	12
Renminbi	**5,854**	56
	8,113	1,875

24. BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	Group 2006 HK$'000
Bank export and import loans, secured	6.75 – 9.75	2007	**32,007**	33,687
Bank overdrafts, secured	8.05 – 9.75	on demand	**29,107**	26,416
Bank loans, secured	7.00 – 9.25	2007-9	**4,556**	3,223
Bank overdrafts, unsecured			**–**	132
			65,670	63,458

At 31st March 2007, the bank borrowings were repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 1 year or on demand	**64,517**	62,413
In the second to fifth years, inclusive	**1,153**	1,045
	65,670	63,458

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

Notes to the Financial Statements

31st March 2007

24. BANK BORROWINGS *(Continued)*

At 31st March 2007, the Group's banking facilities with an aggregate amount of HK$76,993,000 (2006: HK$76,724,000), of which a total of HK$64,008,000 (2006: HK$63,326,000) were utilized, are secured and/or guaranteed by:

(i) legal charges on two (2006: two) residential properties situated in Hong Kong owned by a director of a 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$4,839,000 (2006: HK$5,054,000);

(iii) legal charges on all of the Group's pledged deposits;

(iv) personal guarantees executed by a director of the Company and a director of certain subsidiaries of the Group.

25. FINANCE LEASE PAYABLES

At 31st March 2007, the Group had obligations under finance leases payables as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within 1 year or on demand	**3,150**	2,651	**2,778**	2,368
In the second to fifth years, inclusive	**4,418**	2,727	**4,005**	2,592
Total minimum finance lease payments	**7,568**	5,378	**6,783**	4,960
Less: total future finance charges	**(785)**	(418)		
Present value of lease obligations	**6,783**	4,960		
Portion classified as current liabilities	**(2,778)**	(2,368)		
Portion classified as non-current liabilities	**4,005**	2,592		

Notes to the Financial Statements

31st March 2007

26. OTHER LOANS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest bearing of 12% per annum	**215**	215
Non-interest bearing	**829**	919
Carrying amount of liabilities	**1,044**	1,134

The amounts 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.

On 25th January 2007, convertible notes with a face value of HK$9,300,000 were converted into 48,945,000 ordinary shares of the Company of HK$0.05 each at a conversion price of HK$0.19 per share. (note 29(vi)).

Notes to the Financial Statements

31st March 2007

27. CONVERTIBLE NOTES *(Continued)*

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

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Liability component at 1st April	**8,415**	–
Face value of convertible notes issued during the year	**–**	9,300
Equity component	**–**	(885)
Liability component at the issuance date	**–**	8,415
Interest expense	**885**	–
Conversion during the year	**9,300**	–
Liability component at 31st March	**–**	8,415
Portion classified as non-current	**–**	8,415
Current portion	**–**	–

28. PROMISSORY NOTES

On 20th March 2006, the Company issued the interest free promissory note 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 note, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory note. During the year, HK$7,000,000 of the promissory note was repaid.

On 5th January 2007, the Company issued another tranch of interest free promissory note with a nominal value of HK$10,120,000 to an independent noteholder. The promissory note is unsecured and matures on 2nd July 2007. The Company recorded a discount of HK$763,000 for the imputed interest on the note, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory note. The promissory note was fully repaid during the year ended 31st March 2007.

Notes to the Financial Statements

31st March 2007

29. SHARE CAPITAL

(a) Shares

	Company 2007 HK$'000	Company 2006 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	**100,000**	100,000
Issued and fully paid:		
969,417,500 (2006: 375,000,000) ordinary shares of HK$0.05 each	**48,471**	18,750

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Note	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1st April 2005		300,000,000	15,000	5,902	20,902
Issue of consideration shares	*(i)*	75,000,000	3,750	5,250	9,000
At 1st April 2006		375,000,000	18,750	11,152	29,902
Share options exercised	*(ii)*	30,000,000	1,500	3,001	4,501
Placement of new shares	*(iii)*	60,000,000	3,000	15,000	18,000
Warrants exercised	*(iv)*	93,000,000	4,650	10,695	15,345
Issue of consideration shares	*(v)*	30,000,000	1,500	4,500	6,000
Conversion of convertible notes	*(vi)*	48,945,000	2,447	7,737	10,184
Open offer new shares	*(vii)*	318,472,500	15,924	3,185	19,109
Share options exercised	*(viii)*	14,000,000	700	4,518	5,218
Share issue expenses		–	–	(2,625)	(2,625)
At 31st March 2007		969,417,500	48,471	57,163	105,634

29. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Note:

i. 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.

ii. On 8th May 2006, the subscription rights attaching to 30,000,000 share options were exercised at subscription prices at HK$0.138 per share, resulting in the issue of 30,000,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$4,140,000.

iii. On 16th June 2006, the Company allotted and issued a total of 60,000,000 ordinary shares of HK$0.05 each for cash to independent third parties at a price of HK$0.30.

iv. On 22nd December 2006, 8th January 2007 and 11th January 2007, 10,000,000, 45,000,000 and 38,000,000 warrants were exercised respectively and 93,000,000 new ordinary shares of HK$0.05 each were allotted and issued at a subscription price of HK$0.15 per share for a total cash consideration, before expenses, of HK$15,345,000.

v. On 5th January 2007, the Company entered into a sale and purchase agreement with an independent third party to acquire 5,556 shares of Media Magic Technology Limited at a consideration of HK$16,120,000, which was satisfied by the issue of 30,000,000 ordinary shares of the Company of HK$0.20 each and by the issue of promissory note at HK$10,120,000. Further details of the sale and purchase agreement were also set out in a circular of the Company dated 14th December 2006.

vi. On 25th January 2007, 48,945,000 new ordinary shares of HK$0.19 each of the Company were issued upon the conversion of the convertible notes with face values aggregating HK$9,300,000 issued by the Company as further details in note 27.

vii. On 2nd March 2007, an open offer of one offer share for every two existing shares held by members on the register of members on 1st February 2007 was made, at an issue price of HK$0.06 per offer share, resulting in the issue of 318,472,500 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$19,109,000.

viii. On 20th March 2007, the subscription rights attaching to 14,000,000 share options were exercised at subscription prices at HK$0.31 per share, resulting in the issue of 14,000,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$4,340,000.

Notes to the Financial Statements

31st March 2007

29. SHARE CAPITAL *(Continued)*

(b) Share options

Details of the Company share option scheme and share option issued under the scheme are set out in note 30 to the financial statements.

(c) Warrants

Pursuant to an ordinary resolution passed on 26th October 2006, the Company entered into a warrant placing agreement with Rich Regent Inc. in relation to a private placing of 93,000,000 warrants at issue price of HK$0.015 per warrant. Each warrant entitles Rich Regent Inc. to subscribe for one ordinary share of the Company of HK$0.05 at a subscription price of HK$0.15 per share, payable in cash, from 12th October 2006 to 11th April 2008. During the year, 93,000,000 warrants were exercised for 93,000,000 ordinary shares of HK$0.05 each at a price of HK$0.15 per share. Details are set out in note 29(a)(vi).

30. SHARE OPTION SCHEME

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

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

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

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

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31st March 2007

30. SHARE OPTION SCHEME *(Continued)*

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

Detail of share options, outstanding at the balance sheet date, which are all of a call option type, are as follows:

Date of grant	**Exercise period**	**Exercise price**	**Fair value at grant date**
4th May 2006	From date of grant to 3rd May 2016	HK$0.138	HK$0.0120
12th March 2007	From date of grant to 11th March 2017	HK$0.310	HK$0.0627

In accordance with the terms of the share-based arrangement, options issued vest at the date of grant.

Options were priced using the Black-Scholes-Merton Option Pricing Model. Expected volatility is based on extracts from the Bloomberg's information based on 260 trading days (around 1 year).

Inputs into the model

	Share option grant date	
	4th May 2006	12th March 2007
Weighted average share price	0.125	0.310
Exercise price	0.138	0.310
Expected volatility	30.60%	47.00%
Expected option period	1 year	1 year
Dividend yield	–	–
Risk-free interest rate	3.78%	3.92%
Option type	Call	Call

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expenses of HK$3,719,000 for the year ended 31st March 2007 (2006: Nil) in relation to share options granted by the Company.

Notes to the Financial Statements

31st March 2007

30. SHARE OPTION SCHEME *(Continued)*

Movements of the Company's share options held by employees, directors and business associates during the year are:

Grantee	At 1st April 2006	Granted during the year	Exercised during the year	At 31st March 2007	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Directors								
Wan Kin Chung	–	300,000	(300,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Wong Tak Shing	–	5,800,000	–	5,800,000	12th March 2007	HK$0.310	HK$0.310	12th March 2007 to 11th March 2017
	–	3,750,000	(3,750,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Cheng Kwong Chung	–	3,750,000	(3,750,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Lo Ka Tong	–	3,750,000	(3,750,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Chan Hin Wing	–	9,550,000	–	9,550,000	12th March 2007	HK$0.310	HK$0.310	12th March 2007 to 11th March 2017
Other employees								
In aggregate	–	10,950,000	(10,950,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
	–	38,200,000	(14,000,000)	24,200,000	12th March 2007	HK$0.310	HK$0.310	12th March 2007 to 11th March 2017
Business associates								
In aggregate	–	7,500,000	(7,500,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
	–	83,550,000	(44,000,000)	39,550,000				

31. 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.

32. DEFERRED TAX

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 components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	**Tax losses**	**Group Product development costs**	**Allowance for inventories**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2005	(37)	1,683	–	–	1,646
Arising on acquisition of subsidiaries	(492)	1,192	(2,101)	180	(1,221)
Credit/(charge) to income statement *(note 11)*	(82)	120	167	28	233
At 1st April 2006	(611)	2,995	(1,934)	208	658
Acquisition of subsidiaries	–	928	–	–	928
Credit/(charge) to income statement *(note 11)*	(590)	(1,737)	(388)	147	(2,568)
At 31st March 2007	(1,201)	2,186	(2,322)	355	(982)

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32. DEFERRED TAX *(Continued)*

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 following is the analysis of the deferred tax balances for financial reporting purposes:

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax assets	**430**	658
Deferred tax liabilities	**(1,412)**	–
	(982)	658

33. OPERATING LEASE COMMITMENTS

During the year, the Group leased certain of its office properties under operating lease commitments which are negotiated for terms from one to four years.

At 31st March 2007 the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
	Properties	Properties
Within one year	**671**	621
After one year but within five year	**1,461**	–
	2,132	621

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34. BUSINESS COMBINATIONS

On 22nd August 2006 and 5th January 2007, the Company acquired 20% and 31% equity interest in Media Magic Technology Limited ("MM") respectively. These transactions have been accounted for by the purchase method. The acquired business contributed revenue of HK$3,177,000 and net loss of HK$594,000 to the Group for the period between 5th January 2007 and the balance sheet date.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration discharged by:	
– Cash paid	10,000
– Shares issued	6,000
– Promissory note issued	9,357
Total purchase consideration of acquisition	25,357
Share of loss from an associate*	(187)
Fair value of net assets acquired – shown as below	(1,812)
Goodwill	23,358

* This represents the Group's share of the loss of MM and its subsidiaries for the period from 22nd August 2006 to 4th January 2007.

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34. BUSINESS COMBINATIONS *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Carrying amount of the acquiree HK$'000	Fair value adjustment HK$'000	Fair value of the acquiree HK$'000
Net assets acquired comprise:			
Fixed assets	5,160	–	5,160
Intangible assets	9,614	–	9,614
Deferred tax assets	928	–	928
Accounts receivable	690	–	690
Deposits, prepayments and other receivables	622	–	622
Due from shareholders of subsidiaries	375	–	375
Cash and bank balances	532	–	532
Payables and accruals	(835)	–	(835)
Due to shareholders of subsidiaries	(13,185)	–	(13,185)
Exchange reserve	(19)	–	(19)
Minority interests	(329)	–	(329)
	3,553	–	3,553
Minority interests (49%)			(1,741)
Net assets acquired			1,812

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	HK$'000
Purchase consideration settled in cash	10,000
Cash and bank balances in subsidiaries acquired	(532)
Net outflow of cash and cash equivalents on acquisition	9,468

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35. CONTINGENT LIABILITIES

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$1,144,000 as at 31st March 2007 (2006: HK$1,343,000). 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 recognised 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.

36. COMMITMENTS

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

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for in respect of acquisition of fixed assets	**700**	700

37. RELATED PARTY TRANSACTIONS

(a) During the year, the Company had the following transactions with related parties.

	Company	
	2007	2006
	HK$'000	HK$'000
Management fee received from a subsidiary	**302**	–

Management fee was charged at rates mutually agreed between both parties.

(b) The Group's banking facilities are secured by personal guarantees executed by a director of the Company and a director of certain subsidiaries of the Group.

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38. POST BALANCE SHEET EVENTS

(a) On 12th April 2007, the Company entered into a placing agreement to place 110,000,000 new shares to not less than six placees at the placing price of HK$0.47 per share. On 23rd April 2007, the placing has been completed, thereof creating an additional 110,000,000 shares in issue at that date. The total issued shares therefore increased from 969,417,500 to 1,079,417,500.

(b) On 20th April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited to an independent third party at a consideration of HK$150,000 (note 16).

(c) On 15th June 2007, Multi Channel Technology Limited ("MC"), a subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with a director of PalmPay Technology Company Limited ("PalmPay") and a connected person of the Company to purchase their entire interests in PalmPay which is a subsidiary of MM and indirectly held by the Company. Pursuant to the Agreement, the percentage of indirect equity interest held in PalmPay by the Company will be increased from approximately 49% to approximately 51% on completion. By a revolving facility letter signed between the Company and MC, the Company agreed to conditionally grant MC a revolving facility up to a maximum amount of HK$22 million at any time during each of the three financial years ending 31st March 2010.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 22nd June 2007.