THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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

If you have sold or transferred all your shares in Inno-Tech Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or the bank manager, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

INNO-TECH HOLDINGS LIMITED

匯 創 控 股 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF AN INTEREST IN A COMPANY, APPLICATION FOR WHITEWASH WAIVER, PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

Financial adviser to Inno-Tech Holdings Limited

INCU Corporate Finance Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

VEDA CAPITAL LIMITED

VEDA | CAPITAL
智略資本

A letter from the Independent Board Committee containing its recommendations, to the Independent Shareholders in connection with the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new shares are set out on page 35 of this circular.

A letter from Veda Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advices in connection with the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new shares are set out on pages 36 to 62 of this circular.

The notice convening the special general meeting of the Company to be held at 11:00 a.m., on Wednesday, 11 April 2007 at Conference Room, Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong, is set out on pages 159 to 162 of this circular. Whether you are able to attend the special general meeting or not, please complete the form and return the enclosed form of proxy to the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the special general meeting. The completion and delivery of form of proxy will not preclude you from attending and voting at the special general meeting of the Company in person if you so wish.

This circular will remain on the GEM Website on the "Latest Company Announcement" page for at least 7 days from the date of its posting.

* *for identification purpose only*

26 March 2007

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. 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

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"Announcement"	the announcement made by the Company dated 6 March 2007, in relation to, among other things, the Proposed Acquisition, the Whitewash Waiver and the Placing;
"associates"	has the meaning ascribed to it under the GEM Listing Rules;
"Autoscale"	Autoscale Resources Limited, a company incorporated in the British Virgin Islands, which is held as to 33%, 33% and 34% by Ms. Y.Y. Wong, Mr. Robert Wong and Mr. Wong Yao Sing, Herbert (deceased) respectively;
"Board"	the board of Directors;
"Business Day"	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong;
"Bye-laws"	the bye-laws of the Company;
"Company"	Inno-Tech Holdings Limited, an exempted company incorporated in Bermuda whose shares are listed on the GEM;
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules;
"Consideration Shares"	351,000,000 new Shares to be issued under the Sale and Purchase Agreement to the Vendors (as to 175,500,000 new Shares to Ms. Y.Y. Wong and as to 175,500,000 new Shares to Mr. Robert Wong) as consideration for the Proposed Acquisition;
"Director(s)"	the director(s) of the Company;
"Enlarged Group'	the Company and its subsidiaries (including Autoscale) after the completion of the Proposed Acquisition;

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
"GEM"	the Growth Enterprise Market of the Stock Exchange;
"GEM Listing Rules"	The Rules Governing the Listing of Securities on the GEM;
"General Mandate"	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 26 July 2006 subject to the limit up to 20% of the then issued share capital of the Company as at the date of passing the resolution at the annual general meeting (i.e. 335,075,000 Shares);
"Group"	the Company and its subsidiaries before the completion of the Proposed Acquisition;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee of the Company, comprising Mr. Wong Tak Leung, Charles, Ms. Ho Chui Yin, Liwina and Mr. Lai Ying Sum, all of whom are independent non-executive Directors, formed to advice the Independent Shareholders on the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares;
"Independent Shareholders"	Shareholders other than (i) the Vendors and parties acting in concert with each of them respectively; (ii) those involved or interested in the Proposed Acquisition, Whitewash Waiver and/or the Placing; (iii) all shareholders of Autoscale and UPMG and their respective associates; and (iv) the Directors and chief executive and their respective associates;
"Independent Third Party"	to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, a third party and its ultimate beneficial owner (as applicable) being independent of the Company and its connected persons;
"Issue Price"	HK$0.168 per Consideration Share;
"Latest Practicable Date"	23 March 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Last Trading Day"	5 March 2007, being the last trading day immediately before the suspension of the trading of the Shares on the Stock Exchange on 6 March 2007;

"Listing Committee"	the listing committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the GEM;
"Macau"	The Macau Special Administrative Region of the PRC;
"Mr. Robert Wong"	Mr. Wong Yao Wing, Robert, an executive Director;
"Ms. Y.Y. Wong"	Ms. Wong Yuen Yee, an executive Director and the Chairman of the Company;
"Multiturn"	Multiturn Trading Limited (Multiturn is owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San), the substantial Shareholder of the Company and is interested in 97,362,000 Shares, representing approximately 22.64% of the issued share capital of the Company as at the Latest Practicable Date;
"Ordinary Share(s)"	ordinary shares of HK$0.01 each in the capital of UPMG;
"Placees"	any institutional, corporate or individual investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent's obligation under the Placing Agreement;
"Placing"	the placing of up to 100,000,000 new Shares pursuant to the terms of the Placing Agreement;
"Placing Agent"	President Securities (Hong Kong) Limited, a licensed corporation licensed to carry on business in types 1, 4 and 9 regulated activities under the SFO and who and whose ultimate beneficial owner(s) is/are Independent Third Parties;
"Placing Agreement"	the Placing Agreement dated 5 March 2007 between the Company and the Placing Agent in respect of the Placing;
"Placing Price"	HK$0.168 per Placing Share;
"Placing Share(s)"	not more than 100,000,000 new Shares to be allotted and issued pursuant to the terms and conditions of the Placing Agreement and which shall rank pari passu in all respects with the existing Shares in issue at the date of allotment of the Placing Shares;
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of the Company adopted on 5 July 2002;

"PRC"	The People's Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau and Taiwan;
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of the Company adopted on 5 July 2002;
"Preference Share(s)"	Class A Preference Shares of HK$0.01 each in the capital of UPMG convertible into Ordinary Shares at US$2,500 per Ordinary Share;
"Proposed Acquisition"	the proposed acquisition contemplated under the Sale and Purchase Agreement for the acquisition by the Company of the aggregate of 56% interest in the share capital of Autoscale from the Vendors;
"Relevant Period"	the period commencing six months prior to the Last Trading Day and ending on the Latest Practicable Date;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	a special general meeting of the Company to be to be held at 11:00 a.m. on Wednesday, 11 April 2007 at Conference Room, Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong for the Independent Shareholders to consider and, if thought fit, (i) the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares; (ii) the Whitewash Waiver; (iii) the allotment and issue of the Placing Shares; and (iv) the proposed refreshment of the general mandate to issue new Shares;
"Sale Share(s)"	an aggregate of 56 shares of par value of US$1.00 each in the share capital of Autoscale (as to 28 shares by each of Ms. Y.Y. Wong and Mr. Robert Wong), representing an aggregate of approximately 56% in the share capital of Autoscale, held by the Vendors;
"Share(s)"	share(s) of HK$0.02 each in the capital of the Company;
"Shareholder(s)"	holder(s) of Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sale and Purchase Agreement"	the sale and purchase agreement entered into on 5 March 2007 between the Company and the Vendors in relation to the acquisition of the Sale Shares;

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"UPMG"	United Premier Medical Group Limited, a company incorporated in the Cayman Islands;
"UPMG Group"	UPMG and its subsidiaries;
"VIP Centres"	the premium/international standard boutique units in the hospitals or medical centres of its partners in the PRC and Macau to provide specialty healthcare services mainly in obstetrics, gynaecology and paediatrics established by UPMG Group and its partners in the PRC and Macau;
"Veda Capital"	Veda Capital Limited, a licensed corporation licensed to carry on business in type 6 regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares;
"Vendors"	Ms. Y.Y. Wong (an executive Director and Chairman of the Board) and Mr. Robert Wong (an executive Director);
"Whitewash Waiver"	the waiver from the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code;
"2008 Convertible Notes"	convertible loan notes due in 2008 in an aggregate principal amount of HK$6,300,000 issued by the Company on 12 August 2005 at an initial conversion price of HK$0.05 per unit of the conversion right of the Notes, which has been adjusted to HK$0.10 upon consolidation of the shares of the Company becoming effective on 7 February 2006, subject to adjustments as set out in the conditions of the 2008 Convertible Notes, of which none of the Vendors and their concert parties are holders;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"US$"	United States dollars, the lawful currency of United States of America; and
"%"	per cent.

INNO-TECH HOLDINGS LIMITED
匯 創 控 股 有 限 公 司*
(incorporated in Bermuda with limited liability)
(Stock Code: 8202)

Executive Directors:
Ms. Wong Yuen Yee *(Chairman)*
Mr. Wong Yao Wing, Robert *(Deputy Chairman)*
Mr. Wong Kwok Sing
Mr. Lam Shiu San

Independent non-executive Directors:
Mr. Wong Tak Leung, Charles
Ms. Ho Chui Yin, Liwina
Mr. Lai Ying Sum

Head office and principal place of business in Hong Kong:
Room 903
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

26 March 2007

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF AN INTEREST IN A COMPANY,
APPLICATION FOR WHITEWASH WAIVER,
PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

INTRODUCTION

The Company announced on 23 May 2006 and 31 August 2006, respectively, that it has entered into a memorandum of understanding on 23 May 2006 and the supplemental memorandum of understanding on 31 August 2006 with Ms. Y.Y. Wong and Mr. Robert Wong (each an executive Director) in relation to the proposed acquisition of an aggregate of 66% of the issued share capital of Autoscale from them (as to 33 shares representing 33% interest in Autoscale from each of Ms. Y.Y. Wong and Mr. Robert Wong). Subsequently, the parties have agreed that the Company shall acquire 56% of the issued share capital of Autoscale from them (as to 28 shares, representing 28% interest in Autoscale from each of Ms. Y.Y. Wong and Mr. Robert Wong).

* *for identification purpose only*

On 5 March 2007, the Company entered into the Sale and Purchase Agreement with the Vendors in connection with the Company's Proposed Acquisition of the Sale Shares, representing an aggregate interest of 56% in the issued share capital of Autoscale for a consideration of HK$58,968,000.

The total consideration of HK$58,968,000 for the Proposed Acquisition shall be settled by the Company by allotting and issuing 351,000,000 Consideration Shares to the Vendors credited as fully paid, at the Issue Price of HK$0.168 each Consideration Share.

The Consideration Shares represent (i) approximately 81.61% of the existing issued share capital of the Company; (ii) approximately 44.94% of the issued share capital of the Company as enlarged by the Consideration Shares; and (iii) approximately 39.84% of the issued share capital of the Company as enlarged by the Consideration Shares and the Placing Shares.

The Proposed Acquisition constitutes a connected and major transaction for the Company under the GEM Listing Rules and is subject to the approval of the Independent Shareholders by way of a poll at the SGM.

On 5 March 2007, the Company also entered into Placing Agreement with the Placing Agent in relation to the placing of an aggregate of 100,000,000 Shares on a best effort basis at the Placing Price of HK$0.168 per Placing Share. The Placing Agent has confirmed that all the 100,000,000 Placing Shares have been placed by 12 March 2007.

The Placing Shares represent (i) approximately 23.25% of the existing issued share capital of the Company as at the date of the Placing Agreement; (ii) approximately 18.87% of the issued share capital of the Company as enlarged by the Placing Shares; and (iii) approximately 11.35% of the issued share capital of the Company as enlarged by the Placing Shares and the Consideration Shares. As the Placing Shares exceed the 15,000 Shares that may be granted under the General Mandate as at the Latest Practicable Date, the issue of the Placing Shares will have to be made under specific mandate subject to the approval of the Shareholders under Rule 17.39(1)(a) of the GEM Listing Rules.

The Company also proposes to refresh the general mandate to issue new Shares subject to the approval of the Independent Shareholders at the SGM.

The SGM will be convened at which ordinary resolutions will be proposed to seek the approval of the Independent Shareholders by way of poll in relation to the Sale and Purchase Agreement and the issue and allotment of the Consideration Shares, the Whitewash Waiver, the issue and allotment of the Placing Shares and the refreshment of the general mandate to issue new Shares. The Vendors and parties acting in concert with them, those involved or interested in the Proposed Acquisition, the Whitewash Waiver and/or the Placing, all shareholders of Autoscale and UPMG and their respective associates will abstain from voting on resolutions to be proposed at the SGM in respect of the Sale and Purchase Agreement, the Whitewash Waiver and the Placing. In accordance with Rule 17.42A(2)(b) of the GEM Listing Rules, the Directors, excluding the independent non-executive Directors and their respective associates will abstain from voting on the resolution to be proposed at the SGM in respect of the proposed refreshment of the general mandate to issue new Shares.

INCU Corporate Finance Limited has been appointed as the financial adviser to the Company on the Proposed Acquisition, the Whitewash Waiver and the Placing.

An independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wong Tak Leung, Charles, Ms. Ho Chui Yin, Liwina and Mr. Lai Ying Sum, has been established to advise the Independent Shareholders in respect of the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares. Each of the independent non-executive Directors is independent from the Vendors and parties acting in concert with them, those involved or interested in the Proposed Acquisition, the Whitewash Waiver and/or the Placing, all shareholders of Autoscale and UPMG and their respective associates. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Acquisition, the Whitewash Waiver, the Placing and proposed refreshment of the general mandate to issue new Shares.

The purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares; (ii) financial information relating to the Group, Autoscale and the Enlarged Group; (iii) other information as required under GEM Listing Rules and Takeovers Code; and (iv) the notice of the SGM.

A. MAJOR AND CONNECTED TRANSACTION

1. SALE AND PURCHASE AGREEMENT

Date: 5 March 2007

Parties: Purchaser: The Company
Vendors: Ms. Y.Y. Wong and Mr. Robert Wong

As at the Latest Practicable Date, both Ms. Y.Y. Wong and Mr. Robert Wong are executive Directors and are deemed to be interested in approximately 22.64% of the issued share capital of the Company. The Vendors are, therefore connected persons of the Company under the GEM Listing Rules.

Assets to be acquired:

The Company shall acquire the Sale Shares held by each of Ms. Y.Y. Wong and Mr. Robert Wong (as to 28 shares of US$1.00 each in the capital of Autoscale from each of Ms. Y.Y. Wong and Mr. Robert Wong), representing an aggregate of 56% shareholding interest in Autoscale. Each of Ms. Y.Y. Wong and Mr. Robert Wong subscribed for 33 shares of US$1.00 each in the capital of Autoscale at the subscription price of US$1.00 each on 2 September 2000. For further details of Autoscale, please refer to the paragraph headed “Information on Autoscale”.

Consideration:

The total consideration payable for the Sale Shares is HK$58,968,000 to be satisfied by the allotment and issue of 175,500,000 Consideration Shares to each of the Vendors, credited as fully paid at the Issue Price.

The consideration for the Proposed Acquisition, including the Issue Price, was agreed between the Company and the Vendors after arm's length negotiations by reference to the following factors:

(a) Taking into account the following value of the underlying assets of Autoscale, i.e. the value of the 6,000 Ordinary Shares held by Autoscale:

– UPMG has undertaken to the holders of the Preference Shares that no Ordinary Shares will be issued at an issue price below US$1,428 each Ordinary Share; and

– the price at which each Preference Share can be converted into Ordinary Share is US$2,500.

(b) Upon completion of the Proposed Acquisition, the Company will be interested in more than 50% of the issued share capital of Autoscale and effectively controls the 6,000 Ordinary Shares held by Autoscale. Accordingly, on the basis that the consideration payable for the Sale Shares is HK$58,968,000 (equivalent to approximately US$7,560,000), the Company effectively obtains control over the 6,000 Ordinary Shares of Autoscale at the price of US$1,260 each Ordinary Share.

(c) If calculated in terms of effective interest in 3,360 Ordinary Shares to be acquired (56% of the 6,000 Ordinary Shares held by Autoscale), the price per Ordinary Share will be US$2,250, representing a 10% discount to the current conversion price of the Preference Share at US$2,500 each. The 10% is agreed by the parties taking into account that the Preference Shares carry fixed dividend at the rate of 8% per annum, which the Ordinary Shares are not entitled to.

(d) The recent performance of the share price of the Shares, the comparables of which are set out in the paragraph headed "The Consideration Shares".

(e) The business of the Group and the synergy of the businesses of the Group and the UPMG Group as elaborated in the paragraphs headed "Information on the UPMG Group" and "Reasons for the Proposed Acquisition and the Placing" below.

Having considered the above factors, the Directors (including the independent non-executive Directors) considered the total consideration for the Sale Shares to be fair and reasonable and is in the interest of the Company and the Shareholders as a whole. The parties had not made any reference to the financial performance of the UPMG Group in determining the consideration. This is because UPMG is only an associate of Autoscale and its financial performance has no direct impact on Autoscale. As stated in note 12 to the accountant's report of Autoscale as set out in Appendix II to this circular, Autoscale has discontinued the recognition of its share of losses of UPMG effective from the financial year commencing 1 October 2005 because the share of losses of UPMG exceeded Autoscale's interest therein. It is further explained in note 17 to the accountant's report of Autoscale as set out in Appendix II that upon issue of new shares by UPMG, Autoscale will record the deemed gain or loss on the deemed disposal of its interest in UPMG, and an amount equivalent to such deemed gain or loss will be recognized in the financial statements of Autoscale as its share of the loss of UPMG for the relevant financial year in which such deemed gain or loss occurred. As the amount of loss of UPMG recognized by Autoscale will set off the amount of deemed gain or loss recognized for the year, and no further recognition of losses of UPMG will be made by Autoscale, the operation results of the UPMG Group has no direct impact on the financial performances of Autoscale. Furthermore, as explained in the paragraph headed "Reasons for the Proposed Acquisition and the Placing", the Company is interested in the business network of UPMG which is believed to facilitate the expansion of the Group into the medical industry in line with its corporate strategy.

There will not be any change to the composition of the Board as a result of completion of the Proposed Acquisition.

Conditions precedent:

Completion of the Proposed Acquisition is subject to the following conditions being fulfilled:

(a) the Company having completed its due diligence review on the UPMG Group including but not limited to the financial, legal and business conditions of the UPMG Group, and being satisfied (in the Company's discretion) with the results of the due diligence review;

(b) the passing by the Independent Shareholders at the SGM, ordinary resolutions to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares); and (ii) the Whitewash Waiver;

(c) the Listing Committee granting listing of, and permission to deal, in the Consideration Shares on the Stock Exchange;

(d) the granting by the Executive to the Vendors and their concert parties of the Whitewash Waiver (either conditionally or subject to such conditions as the Executive may impose);

(e) the obtaining of all necessary consents and approvals in connection with the entering into and performance by the parties to this Agreement, including but not limited to consents, authorisations or approvals of the Stock Exchange, the SFC, any regulatory or other government authorities as may be required under the GEM Listing Rules or the applicable laws and required approvals of the parties hereto;

(f) the obtaining of a legal opinion from a firm of lawyers in the PRC to the satisfaction of the Company opining on (i) the due and valid establishment and continue existence of those members of the UPMG Group which are established in the PRC; and (ii) the validity and enforcement of the business contracts of the UPMG Group in relation to the operation of its business in the PRC;

(g) the obtaining of a certificate of good standing in respect of Autoscale; and

(h) each of the representations and warranties from the Vendors in favour of the Company as contained in the Sale and Purchase Agreement remains true and correct in all material respects.

If the above conditions are not fulfilled or waived by the Company (except that conditions (b), (c), (d), (e), (f) and (g) cannot be waived) on or before 30 June 2007 (or such later date as the Company and each of the Vendors may agree), the Sale and Purchase Agreement and all rights, obligations and liabilities of the parties thereunder will cease and terminate and no party shall have any claim against the other in respect thereof except for any antecedent breach.

As at the Latest Practicable Date, none of the conditions has been fulfilled or waived. Completion of the Placing is not a condition precedent to completion of the Proposed Acquisition.

The Proposed Acquisition may or may not proceed. Shareholders and investing public should exercise caution in dealing in the Shares.

Completion:

Completion of the Proposed Acquisition shall take place within five Business Days following fulfillment of the conditions set out above.

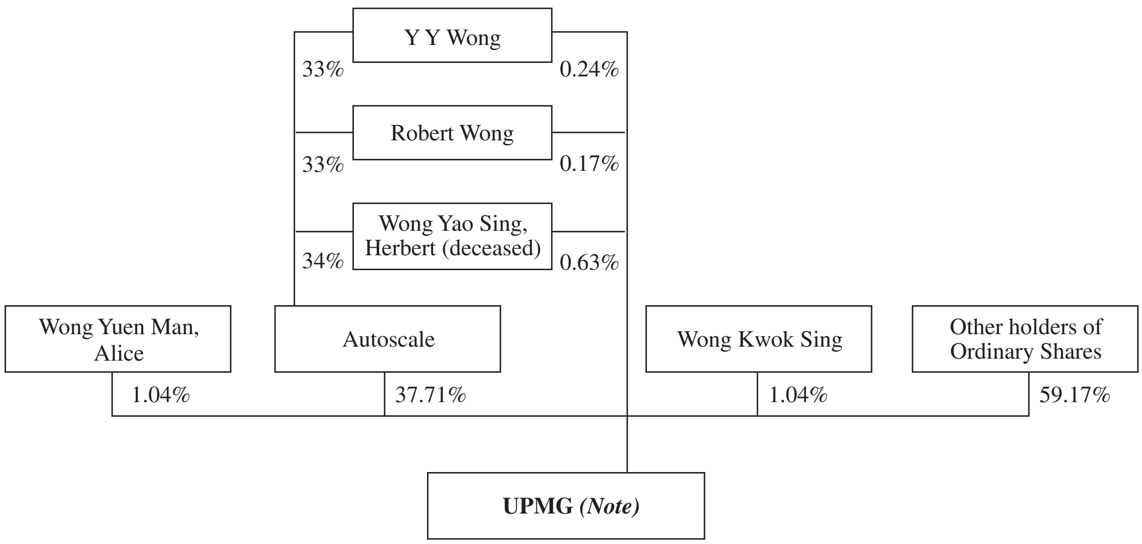
Listing Application for the Consideration Shares:

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

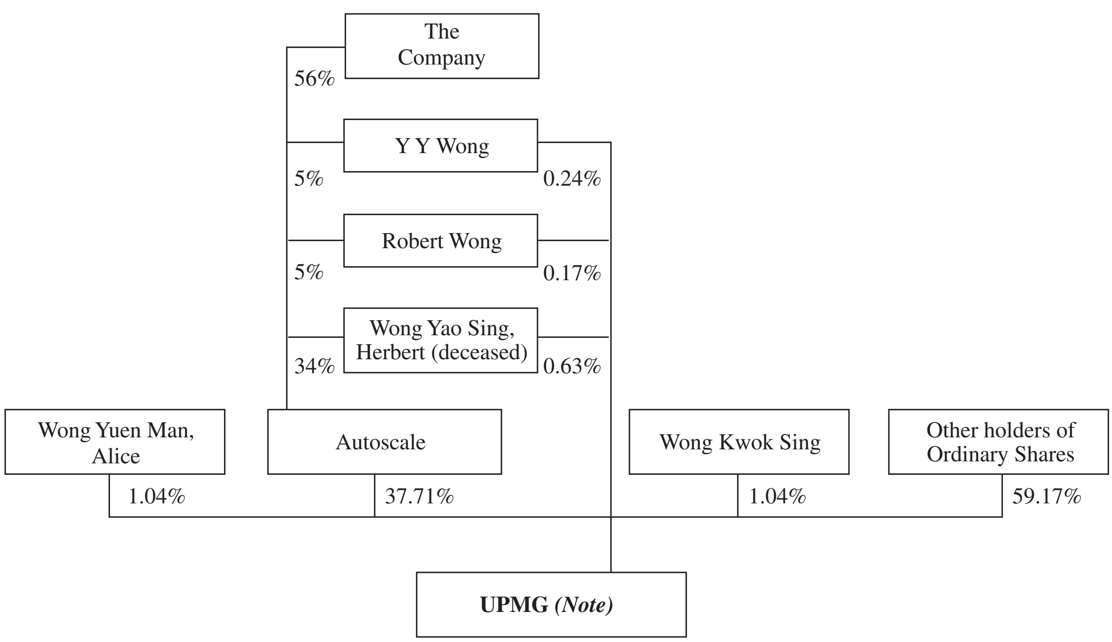
Shareholding structure of Autoscale before and after completion of the Proposed Acquisition

The following are group charts of Autoscale representing the shareholding structure (a) before and (b) after completion of the Proposed Acquisition:

(a) Before completion of the Proposed Acquisition



(b) After completion of the Proposed Acquisition



Note:

As at the Latest Practicable Date, UPMG had in issue 4,565 Preference Shares which are convertible into 4,565 Ordinary Shares. All percentages set out herein represent percentage interest in the total issued Ordinary Shares and assuming no conversion of the Preference Shares.

Upon completion of the Proposed Acquisition, the Company shall account for Autoscale and UPMG in its books as a subsidiary and an associated company respectively.

2. THE CONSIDERATION SHARES

The 351,000,000 new Shares will be issued at an Issue Price of HK$0.168 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue. The Issue Price is determined with reference to the Placing Price for the Placing Shares. The Directors (including the independent non-executive Directors) considered the Issue Price for the Consideration Shares to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Issue Price represents:

(a) a discount of approximately 18.45% to the closing price of HK$0.206 per Share as quoted on the Stock Exchange on 5 March 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(b) a discount of approximately 12.50% to the average of the closing prices of HK$0.192 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 March 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(c) a discount of approximately 9.19% to the average of the closing prices of HK$0.185 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 5 March 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(d) a discount of approximately 57.47% to the closing price of HK$0.395 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(e) a premium of approximately 15.07% over the net asset value per Share of approximately HK$0.146 based on the unaudited consolidated financial statements of the Group as at 30 September 2006.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued on the date of completion of the Proposed Acquisition.

The Consideration Shares represent:

(a) approximately 81.61% of the existing issued share capital of the Company;

(b) approximately 44.94% of the issued share capital of the Company as enlarged by the Consideration Shares; and

(c) approximately 39.84% of the issued share capital of the Company as enlarged by the Consideration Shares and the Placing Shares.

There is no restriction on subsequent disposal of the Consideration Shares.

3. INFORMATION OF AUTOSCALE

(a) Background

Autoscale is a company incorporated in the British Virgin Islands on 30 August 2000 and is a holding company. The sole asset of Autoscale is 6,000 Ordinary Shares, representing approximately 37.71% of the Ordinary Shares of UPMG, a company incorporated in the Cayman Islands with limited liability. Information on the UPMG Group is set out in the paragraph headed "Information on the UPMG Group" below. The present directors of Autoscale are Ms. Y.Y. Wong and Mr. Robert Wong, both of whom are also directors of UPMG. Upon completion of the Proposed Acquisition, there will not be any change to the board of Autoscale.

The Company does not have any current or future intention to purchase the remaining 44% interest in the shareholding of Autoscale. It has been the Company's intention that the consideration in the purchase of the 56% interest in Autoscale would be satisfied by the issue and allotment of the Consideration Shares. Should the Company purchase more than 56% interest in Autoscale, the number of Consideration Shares will increase and resulting in a higher percentage of dilution in the percentage of shareholding interest of other Shareholders in the Company as well as decrease in the percentage of public float. The Company wishes to maintain a sufficiently wide public shareholding and to avoid excessive dilution of the shareholding interest of existing Shareholders. After balancing the above factors, the Company decided to purchase 56% of the issued share capital of Autoscale instead of the full interest of the Vendors in Autoscale.

The interests of Autoscale and the associates of Ms. Y.Y. Wong and Mr. Robert Wong and other holders of Ordinary Shares and holders of Preference Shares in the issued share capital of UPMG are as follows:

Name of holder	Number of Ordinary Shares held	Approximate percentage of interest in the issued Ordinary Shares	Number of Preference Shares held	Approximate percentage of interest in issued Preference Shares	Approximate percentage in issued share capital of 20,477 Ordinary Shares (assuming full conversion of Preference Shares and none of the share options referred to notes 9 and 10 below are exercised)	Number of Ordinary Shares held assuming full exercise of share options referred to in notes 9 and 10 below	Approximate percentage in issued share capital of 24,027 Ordinary Shares (assuming full conversion of Preference Shares and if all of the share options referred to notes 9 and 10 below are exercised)
Autoscale *(Note 1)*	6,000	37.71%	–	–	29.30%	6,000	24.97%
Ms. Y.Y. Wong *(Notes 2, 6 & 7)*	38	0.24%	–	–	0.19%	638	2.66%
Mr. Robert Wong *(Notes 2, 6 & 7)*	27	0.17%	–	–	0.13%	627	2.61%
Ms Wong Yuen Man, Alice *(Note 3)*	166	1.04%	–	–	0.81%	686	2.86%
Mr. Wong Kwok Sing *(Note 4)*	166	1.04%	—	—	0.81%	166	0.69%
Mr. Wong Yao Sing, Herbert (deceased) *(Note 5)*	100	0.63%	—	–	0.49%	400	1.66%
Other holders of options referred to in notes 9 and 10 below	–	–	–	–	–	1,530	6.37%
Other holders of Ordinary Shares	9,415	59.17%	–	–	45.98%	9,415	39.19%
Holders of Preference Shares *(Note 8)*	–	–	4,565	100%	22.29%	4,565	19.00%
Total	15,912	100%	4,565	100%	100%	24,027	100%

Notes:

1 Autoscale is held as to 33% by Ms. Y.Y. Wong, as to 33% by Mr. Robert Wong and as to 34% by Mr. Wong Yao Sing, Herbert, the brother of Mr. Robert Wong, who has deceased.

2 These represent personal interest of Ms. Y.Y. Wong and Mr. Robert Wong.

3 Ms. Wong Yuen Man, Alice is the sister of Ms. Y.Y. Wong.

4 Mr. Wong Kwok Sing is the brother of Ms. Y.Y. Wong.

5 The interest represents personal interest of Mr. Wong Yao Sing, Herbert, who is the brother of Mr. Robert Wong and has deceased.

6 Each of Ms. Y.Y. Wong and Mr. Robert Wong has options to subscribe for 300 Ordinary Shares at US$1,428 each Ordinary Share.

7 Each of Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Yao Sing, Herbert (deceased), and Ms. Wong Yuen Man, Alice has options to subscribe for 300 Ordinary Shares, 300 Ordinary Shares, 300 Ordinary Shares and 520 Ordinary Shares at US$1.00 each Ordinary Share under the share option scheme of UPMG adopted on 9 August 2004.

8 None of Ms. Y.Y. Wong, Mr. Robert Wong or any of their concert parties or their respective associates is interested in the Preference Shares.

9 Including the options (mentioned in note 6 above) held by each of Ms. Y.Y. Wong and Mr. Robert Wong to subscribe for 300 Ordinary Shares at US$1,428 each Ordinary Share, UPMG has granted options to subscribe for a total of 1,900 Ordinary Shares at US$1,428 each Ordinary Share.

10 Including the options (mentioned in note 7 above) held by each of Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Yao Sing, Herbert (deceased), and Ms. Wong Yuen Man, Alice to subscribe for Ordinary Shares at US$1.00 each Ordinary Share under the share option scheme of UPMG adopted on 9 August 2004. UPMG has granted options to subscribe for a total of 1,650 Ordinary Shares at US$1.00 each Ordinary Share under the share option scheme.

The UPMG Group, through its operating subsidiaries, is principally engaged in the business of infrastructure investment in boutique units in hospitals or medical centres of its business partners and providing hospital management and medical consultation services through co-operation with hospitals and medical institutions in the PRC and Macau on one hand and strategic alliances with medical institutions in the United States of America and experienced healthcare experts and medical consultants on the other hand. For further information on the UPMG Group, please refer to the paragraph headed “Information of the UPMG Group”.

(b) Financial performance

Set out below is a summary of the key financial data of Autoscale, which are extracted from the accountants’ report on Autoscale as contained in Appendix II to this circular prepared on the basis of generally accepted accounting principles in Hong Kong.

	For the year ended 30 September		
	2004	2005	2006
	HK$	*HK$*	*HK$*
	(audited)	(audited)	(audited)
Results			
Turnover	5,834,842	–	–
Loss before tax	(8,406,497)	(6,693,685)	(20,000)
Tax	(216,563)	–	–
Net profit/ (loss) attributable to the shareholders	2,274,562	(6,693,685)	(20,000)
Assets and liabilities			
Non-current assets	6,667,640	–	–
Current assets	–	–	–
Current liabilities	112,455	138,500	158,500
Non-current liabilities	–	–	–
Net assets/ (liabilities)	6,555,185	(138,500)	(158,500)

(c) Management discussion and analysis

Turnover for the year ended 30 September 2004 was HK$5,834,842 based on the audited figure, being service income from the provision of healthcare consulting services rendered during the year. Autoscale's investment in UPMG decreased from approximately 57.15% to 44.61% after that placement of shares by UPMG on 13 September 2004. Since then the turnover of UPMG has not been consolidated into the accounts of Autoscale. Only a share of profit/(loss) in UPMG as an associate has been accounted for in the accounts of Autoscale.

(d) Capital structure

Autoscale's capital structure as at 30 September 2004 consisted of shareholders' equity of HK$780 and reserves. Since the cessation of UPMG as a subsidiary of Autoscale on 13 September 2004, the investment cost of Autoscale in UPMG has been written off against the reserves and net liabilities have been recorded as at 30 September 2005 and 30 September 2006 respectively.

(e) Liquidity and financial resources

As at 30 September 2004, 30 September 2005 and 30 September 2006, there was no cash and bank balances and no outstanding long-term liabilities and no bank borrowings recorded.

(f) Details of material disposal of a subsidiary

As mentioned above, since 13 September 2004, UPMG was deemed to be disposed of and became an associate of Autoscale subsequent to the completion of the placement of shares by UPMG.

(g) Autoscale's order book and prospects for new business

As Autoscale is an investment holding company and UPMG has been accounted for as an associated company of Autoscale, there will be no turnover and no order book recorded in the future.

(h) Segmental information

No business or geograghical segment analysis of Autoscale has been presented as all its operations, assets and liabilities during the three years ended 30 September 2006 were related to the provision of healthcare consulting services and over 90% of its assets and customers are located in the PRC.

(i) Significant investments held

The sole investment of Autoscale is its equity interest in UPMG, i.e. 6,000 Ordinary Shares, representing approximately 37.71% of the Issued Ordinary Shares of UPMG as at the Latest Practicable Date. The performance and future prospects of UPMG has been detailed in the paragraphs headed "Information on the UPMG Group" and "Financial and trading prospect of the Enlarged Group" below.

(j) Information on employees, remuneration policies, bonus and share option schemes and training schemes

The number of employees of Autoscale was nil for each of the three years ended 30 September 2006 respectively. For details of the remuneration policies, bonus and share option schemes and training schemes of Autoscale, please refer to page 134 of this circular as shown in note 9 of Appendix II to this circular.

(k) Charge on group assets

For the three years ended 30 September 2006, there was no charge on the assets of Autoscale.

(l) Future plans for material investments or capital assets and its expected sources of funding in the coming years

According to the Vendors, there is currently no plan for any material investments or acquisition of capital assets by Autoscale.

(m) Gearing ratio and contingent liabilities

As at 30 September 2004, 30 September 2005 and 30 September 2006, there was no bank borrowing or debt or contingent liabilities recorded.

(n) Exposure to fluctuations in exchange rates and any related hedges

Since the functional currencies of Autoscale is Hong Kong Dollars which is different from that of its associate UPMG. Accordingly, Autoscale is exposed to fluctuations in exchange rates. However, no hedging has been implemented.

4. INFORMATION ON THE UPMG GROUP

The UPMG Group and its partners in the PRC and Macau will co-operate in the establishment of VIP Centres. The UPMG Group established its first maternity VIP Centre in Shanghai in October 2002. Currently, the UPMG Group has signed co-operation contracts with eleven hospitals/medical institutions for establishing VIP Centres in Shanghai, Wuxi, Guangzhou, Foshan, Xiamen, Changsha, Hangzhou, Jinan, Beijing and Nanjing, the PRC and one co-operation contract with a medical centre in Macau for establishing a VIP centre in Macau. As at the Latest Practicable Date, the UPMG Group has established VIP Centres in Shanghai, Wuxi, Guangzhou, Foshan, Xiamen, Changsha and Hangzhou, the PRC. Since November 2006, the VIP Centre in Macau has commenced operation.

Under the terms of cooperation agreements between members of the UPMG Group and the hospitals, medical institutions in the PRC and Macau, the relevant members of the UPMG Group are responsible for renovating and providing necessary equipment for the VIP Centre located at the hospital or clinic of its partner. The UPMG Group is also responsible for providing medical consultants and experts to evaluate the operation of the VIP Centres and to identify and recommend areas for improvement so that the management and quality of services provided at such VIP Centres are of world-class standard. Members of the UPMG Group, along with guest healthcare experts and medical consultants, provide training and seminars on latest medical development to medical staff of the VIP Centres and assist in the recruitment of medical staff or arrange for secondment of staff to such VIP Centres. In return, the UPMG Group charges a consultancy fee including a fixed fee and a percentage of the profit generated from the VIP Centres.

To facilitate the UPMG Group to carry out its obligations under the co-operation agreements, the UPMG Group has entered into clinical consultation agreements with a renowned medical institution in the United States of America and a consultation agreement with an experienced medical consultant to provide clinical consultation services to the VIP Centres in the PRC and Macau. In addition, the UPMG Group has from time to time arranged for medical consultants from other renowned medical institutions to visit the medical centres in the PRC.

As at the date of the Announcement and the Latest Practicable Date, the issued share capital of UPMG comprises 15,912 Ordinary Shares and 4,565 Preference Shares. The Preference Shares entitled the holders to a fixed dividend of 8% per annum on the subscription price of the Preference Shares. Holders of the Preference Shares may convert the Preference Shares into Ordinary Shares at the price of US$2,500 per Ordinary Share during the period of 14 Business Days before the initial public offer of the shares of UPMG on a stock exchange. All outstanding Preference Shares shall be redeemed by UPMG on the third anniversary of the issue of the same (i.e. 26 July 2008) (unless the holders agree to an extension of 12 months) at the price of US$2,500 per Preference Share plus 2% premium thereon together with all accrued and outstanding fixed divided as at the date of redemption. The holders of Preference Shares have the right to receive notices of general meetings but do not have the right to vote upon any resolution, other than a resolution for winding up UPMG or reducing its share capital or any share premium account or a resolution varying or abrogating any of the special rights attached to the Preference Shares.

Under the Hong Kong accounting standard, the audited consolidated net asset values of the UPMG Group as at 30 September 2005 and 30 September 2006 are HK$45,317,741 and HK$42,199,060, respectively.

Under the Hong Kong accounting standard, the audited consolidated profit/(loss) before and after tax of the UPMG Group for the two financial years ended 30 September 2006 are as follows:

	For the year ended 30 September 2005	**For the year ended 30 September 2006**
	HK$	*HK$*
Consolidated profit/(loss) before tax	(30,796,330)	(29,126,935)
Consolidated profit/(loss) after tax	(31,434,328)	(29,521,974)

The audited consolidated loss of the UPMG Group for the two financial years ended 30 September 2006 was mainly attributable to the following reasons:

(a) finance costs in relation to (i) the convertible notes issued in 2003 which were matured and redeemed with payment in full in 2005; (ii) the various funds raising exercises via private placement of Ordinary Shares and Preference Shares undertaken by UPMG in the past two years in the amounts of HK$9,778,290 and HK$225,835, respectively;

(b) depreciation expenses in the amounts of HK$9,596,434 and HK$15,080,074 for the two financial years ended 30 September 2006, respectively, in relation to initial capital investment in the eight VIP Centres in the PRC and Macau which have commenced operations and such expenses have no cashflow impact on the UPMG Group; and

(c) expenses in the amounts of HK$8,909,920 and HK$1,893,358 for the two financial years ended 30 September 2006, respectively, in relation to the grant of share options under the share option scheme of UPMG adopted on 9 August 2004.

The Company was advised by the auditors of UPMG that under paragraph 29 of the Hong Kong Accounting Standard 28 "Investments in Associates" in relation to accounting for an investor's share of loss of an associate which exceeds its interests therein, it is not necessary for Autoscale to account for the loss of its associate, UPMG, in its financial statement for the year ended 30 September 2006. This is because UPMG is an associate and the amount of investment in UPMG by Autoscale has been fully impaired in the year ended 30 September 2005. Furthermore, there is no written obligation on Autoscale to contribute further capital to UPMG, rendering it not necessary for Autoscale to share further loss of UPMG.

5. FUTURE INTENTION ON BOARD COMPOSITION

The present directors of UPMG are Ms. Y.Y. Wong, Mr. Robert Wong and Mr. Burt Ahrens. Upon completion of the Proposed Acquisition, there will not be any change to the board of UPMG and the Company. As UPMG will only be an associated company of the Company upon completion of the Proposed Acquisition, the Company does not have any intention to require the board of directors of UPMG to implement any management plans. Furthermore, the Company is of the view that the existing management of UPMG has sufficient knowledge and experience in the management of the UPMG Group, thus the Company does not view it necessary to implement changes to the management of the UPMG Group as a result of the Proposed Acquisition.

6. GEM LISTING RULES IMPLICATIONS

The Proposed Acquisition constitutes a major and connected transaction on the part of the Company under the GEM Listing Rules. The Sale and Purchase Agreement and the issue and allotment of the Consideration Shares will be subject to the approval of the Independent Shareholders by way of a poll at the SGM.

7. TAKEOVERS CODE IMPLICATIONS

Upon completion of the Proposed Acquisition and Placing, the Vendors, together with parties acting in concert with them will hold approximately 57.77% of the issued share capital of the Company as enlarged by the Consideration Shares (without taking into account the Placing Shares) and approximately 51.22% of the issued share capital of the Company as enlarged by the Consideration Shares and the Placing Shares. For details of the shareholding structure of the Company before and after completion of the Proposed Acquisition and the Placing, please refer to the paragraph headed "Effect on shareholding structure" below. In the absence of the Whitewash Waiver, the Vendors and parties acting in concert with them will be required under Rule 26 of the Takeovers Code to make a general offer for all the issued Shares not owned or agreed to be acquired by the Vendors and parties acting in concert with them. The Whitewash Waiver, if successfully applied for, will be subject to passing of a resolution by the Independent Shareholders other than the Vendors and parties acting in concert with them, those involved or interested in the Proposed Acquisition, the Whitewash Waiver and/or the Placing, all shareholders of Autoscale and UPMG and their respective associates, approving the Whitewash Waiver by way of a poll at the SGM and is a condition precedent to completion of the Proposed Acquisition.

An application has been made by the Vendors to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver. The Executive has indicated its consent, subject to approval by the Independent Shareholders by way of poll to the granting of the Whitewash Waiver. If the Whitewash Waiver is granted and approved by the Independent Shareholders, the obligation of the Vendors and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code will be waived. If the Whitewash Waiver is granted and approved by the Independent Shareholders by way of poll, the Vendors will not be required to make a general offer to the Shareholders under Rule 26 of the Takeovers Code as a result of the allotment and issue of the Consideration Shares.

Upon Completion, it is expected that the Vendors and parties acting in concert with them will hold more than 50% of the enlarged issued share capital of the Company. Accordingly, the Vendors and parties acting in concert with them may increase their holding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Other than pursuant to the Sale and Purchase Agreement, neither the Vendors nor any parties acting in concert with them had dealt for value in the securities of the Company during the Relevant Period, nor will they do so prior to the completion of the Proposed Acquisition.

B. PLACING OF NEW SHARES

1. THE PLACING AGREEMENT DATED 5 MARCH 2007

Parties

The Company

and

The Placing Agent, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placing

The Placing Agent has conditionally agreed to place not more than 100,000,000 Placing Shares on a best effort basis during the period from the date of the Placing Agreement up to the fifth business day from the date of the Placing Agreement, i.e. 12 March 2007. As at 12 March 2007, all the 100,000,000 Placing Shares have been placed by the Placing Agent. The Placing Agent will receive a placing fee of 2% on the gross proceeds of the Placing.

The Placees

The Placing Agent has placed the Placing Shares to not fewer than six Placees, each of whom (i) is an Independent Third Party; (ii) is independent of the other Placees and their respective connected persons; and (iii) is independent of the Vendors and any parties acting in concert with the Vendors. A Placee is any institutional, corporate or individual investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent's obligation under the Placing Agreement.

Upon completion of the Placing, none of the Placees will become a substantial shareholder of the Company.

Placing Shares

The Placing Shares represent

(i) approximately 23.25% of the existing issued share capital of the Company of 430,075,000 Shares;

(ii) approximately 18.87% of the Company's issued share capital of 530,075,000 Shares as enlarged by the Placing Shares; and

(iii) approximately 11.35% of the Company's issued share capital of 881,075,000 Shares as enlarged by the Placing Shares and the Consideration Shares.

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

There is no restriction on subsequent disposal of the Placing Shares.

Conditions of the Placing

The Placing is conditional on the fulfillment of the following conditions on or before 30 June 2007 (or such later date as may be agreed by the Company and the Placing Agent):

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Placing Shares;

(b) the approval of the Placing Agreement and the grant of a specific mandate for the issue and allotment of the Placing Shares under a specific mandate by the Independent Shareholders at the SGM; and

(c) the obligation of the Placing Agent becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

None of the above conditions may be waived.

Completion of the Placing is not conditional on completion of the Proposed Acquisition.

Termination and Force Majeure

The Placing Agreement may be terminated by the Placing Agent if at any time between the date of the Placing Agreement and at or before 10:00 a.m. on the date for completion of the Placing Agreement, there occurs:

(a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

(c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation to suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or

(d) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or

(e) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its absolute opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing.

The Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

Completion of the Placing

Under the Placing Agreement, the conditions have to be fulfilled on or before 30 June 2007 ("**Long-stop Date**"), or such other date as may be agreed by the Company and the Placing Agent. Completion of the Placing is expected to take place within three Business Days after the date on which all the conditions of the Placing Agreement have been fulfilled. In the event, there is any extension in the Long-stop Date, further announcement will be made by the Company.

The Placing Price

The Placing Price of HK$0.168 per Placing Share represents

(i) a discount of about 18.45% to the closing price of HK$0.206 per Share as quoted on the Stock Exchange on 5 March 2007, being the last trading day before the date of the Placing Agreement; and

(ii) a discount of about 12.50% to the average closing price of HK$0.192 in the 5 consecutive trading days ended 5 March 2007, being the last trading day immediately prior to the date of the Placing Agreement; and

(iii) a discount of about 57.47% to the closing price of HK$0.395 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The net placing price after deducting relevant expenses for the Placing is approximately HK$0.153 per Placing Share.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent.

The Directors considered that the terms of the Placing, including the placing fee of 2% of the aggregate Placing Price payable to the Placing Agent in respect of the Placing, are fair and reasonable based on the current favourable capital markets environment and in the interests of the Company and its Shareholders as a whole.

Mandate to issue Placing Shares

As at the Latest Practicable Date, the Directors may issue and allot 15,000 new Shares under the General Mandate. As the Placing Shares exceed the remaining part of the General Mandate, the allotment and issue of the Placing Shares will be subject to approval by the Independent Shareholders at the SGM.

Listing application for the Placing Shares

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

C. REASONS FOR THE PROPOSED ACQUISITION AND THE PLACING

The Group is a software application solutions provider which mainly engaged in the provision of internet design for residential communities and e-property management software application consulting services based on the application of the i-Panel and its integrated hardware and software in the PRC. As stated in the third quarterly report of the Company for the nine months ended 31 December 2006, the Group has adopted a dual strategy for business development, to widen its income base and to strengthen its original business while at the same time seek opportunities to expand into woman and child medical services and to the medical industry for provision of electronic medical software application and support services.

In the past year, the Group had actively expanded the scope of its existing business to apply electronic software application solutions into medical services in the PRC, and laid a well-rounded foundation for the Group's expansion into medical market and high consumption healthcare market with the establishment of Pro-Innovative Holding Ltd. and Parentech China Limited. The Group also intends to expand into areas such as hospital management services, medical healthcare products market and medical project investment.

In respect of the second limb of the Group's dual strategy, the Group has been exploring opportunities to expand into woman and child medical services and its ancillary services.

As set out in the announcement made by the Company dated 18 December 2003, the Company and UPMG have formed a joint venture engaging in the provision of consultancy, training and management services for the operation of speciality/boutique hospitals and medical centres and VIP units in hospitals in the PRC, through utilization of communication technology, tailor-made software application and customer relationship. The establishment of this joint venture with UPMG is the first step towards implementing the dual strategy of the Group.

The Directors considered the acquisition of an interest in Autoscale as a move to further the Group's relationship with the UPMG Group and also a step towards implementing the Group's dual business strategy of continued strengthening its current business and expansion into healthcare and medical services. In this regard, the business plan for the Group's current business in the long run involves continued expansion of the Group's core business, which is the application of information technology in real estate/households in the PRC. Moreover, the Company will take advantage of its existing products, technology and experience to expand the market in applying information technology to hospitals and hotels in the PRC. The Directors believed that the UPMG Group has over the years built up a network of business contacts with authorities as well as medical institutions in the PRC and the United States of America, which will assist the Group in furtherance of its existing business as well as expansion into healthcare and medical services.

In considering the acquisition of the Sale Shares from the Vendors, the Directors have taken into account the experience of the UPMG Group in the healthcare business in the PRC, particularly, in the management of hospitals which caters specifically for women and children. Furthermore, the Directors believed that experience of the UPMG Group will also provide the Group with valuable guidance in identifying suitable business opportunities in the area of healthcare and medical service industry in the PRC in line with the second limb of its dual strategy.

The Directors noted that the loss of the UPMG Group for the two financial years ended 30 September 2006 were mainly due to the finance expenses associated with the fund raising exercises undertaken by UPMG and depreciation cost of the capital investment of the UPMG Group in the VIP Centres. Since its establishment in 2002, UPMG has relied on private placements of convertible notes (which have been redeemed in full in 2005), Ordinary Shares and Preference Shares to raise the necessary funds to finance its business development. UPMG has raised a total amount of over US$23 million since its commencement of business in April 2002. As detailed in the paragraph headed "Information on the UPMG Group", under the co-operation contracts, the UPMG Group is responsible for renovating and providing the necessary equipment for the VIP Centres which involved heavy capital expenditure. Furthermore, the VIP Centres usually have a startup period of nine to fifteen months during which the operation costs of the VIP Centres were financed by funds raised through the various fund raising exercise. The first VIP Centre commenced operation in October 2002 in Shanghai and now that there are eight VIP Centres in operation, most of which were established in 2005. Based on the aforementioned operation cycle of the VIP Centres, the Directors believe that most of the current VIP Centres of the UPMG Group has passed the set-up period and will start to generate positive cashflow this year.

With the current favourable market, the Directors consider that it is a good time to raise additional capital for further expansion of the Group, when the Group identifies appropriate business opportunities in the future.

In the premises, the Directors (including the independent non-executive Directors) considered the Proposed Acquisition and the Placing to be fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Independent Shareholders as a whole.

D. FINANCIAL EFFECT OF THE PROPOSED ACQUISITION

Upon completion of the Proposed Acquisition, the Company shall account for Autoscale and UPMG in its books as a 56%-owned subsidiary and an associated company respectively.

Net asset value

Net asset value of the Group and net asset value per Share as at 30 September 2006 were approximately HK$53.12 million and approximately HK$0.1235 respectively. Based on the unaudited pro forma consolidated asset and liabilities of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated net asset value of the Enlarged Group is approximately HK$112,089,000. Goodwill of approximately HK$60,427,000 will arise from the Proposed Acquisition, which will be recognized in the consolidated balance sheet of the Enlarged Group after completion of the Proposed Acquisition and will be subject to an annual review of impairment in value at each balance sheet date.

Upon completion of the Proposed Acquisition, 351,000,000 Consideration Shares will be issued and allotted. As a result, the total issued share capital of the Company will be enlarged and net asset value of the Company will be increased and net asset value per Share will be increased.

Earnings

The Group recorded an audited consolidated loss attributable to Shareholders of approximately HK$5,708,000 for the year ended 31 March 2006. Autoscale has recorded an audited net loss attributable to shareholders of approximately HK$20,000 for the year ended 30 September 2006. Given the future prospects of the UPMG Group as detailed under the section "Information on the UPMG Group", the Directors believe that most of the current VIP centres of the UPMG Group has passed the set-up period and will start generate positive cashflow. The Proposed Acquisition is expected to enhance the revenue and earning base of the Group and the Enlarged Group looks forward to business opportunities in the healthcare sector in the PRC. Should the Company be able to turn around to a profit position, Independent Shareholders would share the benefits to enjoy the earnings per Share.

Upon completion of the Proposed Acquisition, the Enlarged Group, on a consolidated basis, be entitled to account for 56% of the earnings/ loss of Autoscale.

Liabilities

Since Autoscale has minimal current liabilities, no long-term liabilities and no bank borrowings as at 30 September 2006, the liabilities of the Enlarged Group upon completion of the Proposed Acquisition will not be materially adversely affected. Total liabilities of the Group as at 30 September 2006 were approximately HK$83.16 million whereas the unaudited pro forma consolidated total liabilities of the Enlarged Group are approximately HK$84.62 million. On a per Share basis, the unaudited pro forma consolidated total liabilities of the Enlarged Group will decrease from the total liabilities per Share as at 30 September 2006.

E. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

As mentioned in the third quarterly report of the Company for the nine months ended 31 December 2006, the Company will continue to strengthen its original business and at the same time expand into woman and child medical services, and expand to the medical industry for provision of electronic medical software application and support services. To widen its income base, the Group also is looking for opportunities to expand to other sectors to which it can provide its services.

The Group will continue to enhance the application of its core product, i-Panel, and to broaden its customers base. Further, the Group will also enhance its sales team to expand its sales networks. In the previous year, the Group was awarded "中國十大家居智能產品優秀品牌" (the Top 10 recommended brand for Intelligent Home Products) by YST (H.K.) Information International Intelligent Building Magazine" and "中國智能家居行業聯盟" (China Intelligent Home Industry Alliance), demonstrating that the growing popularity of the Group's products are well received by the market. With the growing popularity of Intelligent and environmental-friendly design style in the PRC, the Board optimistically expects that the demand for the Group's intelligent products in the domestic construction industry will continue to grow.

As the second limb of the Group's dual strategy, the Group will look for and explore opportunities to expand into woman and child medical services and its ancillary services. The Group will also explore the market for high-tech medical products through its established sales networks to further enhance its operation performance. The Board is confident in the Group's development potential for the new business.

The Directors considered the acquisition of an interest in Autoscale as a move to further the Group's relationship with the UPMG Group and also a step towards implementing the Group's dual business strategy of continued strengthening its current business and expansion into healthcare and medical services. In this regard, the business plan for the Group's current business in the long run involves continued expansion of the Group's core business, which is the application of information technology in real estate/households in the PRC. Moreover, the Company will take advantage of its existing products, technology and experience to expand the market in applying information technology to hospitals and hotels in the PRC. The Directors believed that the UPMG Group has over the years built up a network of business contacts with authorities as well as medical institutions in the PRC and the United States of America, which will assist the Group in furtherance of its existing business as well as expansion into healthcare and medical services.

In considering the acquisition of the Sale Shares from the Vendors, the Directors have taken into account the experience of the UPMG Group in the healthcare business in the PRC, particularly, in the management of hospitals which caters specifically for women and children. Furthermore, the Directors believed that experience of the UPMG Group will also provide the Group with valuable guidance in identifying suitable business opportunities in the area of healthcare and medical service industry in the PRC in line with the second limb of its dual strategy.

The Directors believe that by leveraging on the insights, extensive connections and aggressiveness of the principals of Autoscale and the UPMG Group, the Enlarged Group will be able to benefit from the business opportunities of healthcare market in the PRC and increasing public awareness on healthcare in the PRC.

The Vendors intend to maintain the listing of the Shares on the GEM upon completion of the Proposed Acquisition. It is the Vendors' intention that the Company will continue with its existing business while at the same time continue to explore further opportunities to expand into the healthcare industry in the PRC in line with the dual corporate strategy of the Group. The Vendors have no intention to make any major change to business or employees of the Group or to redeploy any fixed assets of the Group other than those in its ordinary course of business.

F. USE OF NET PROCEEDS

The gross proceeds of the Placing will amount to approximately HK$16.80 million (assuming all of the 100,000,000 Placing Shares have been placed at the end of the placing period). After deducting relevant expenses, the net proceeds of about HK$15.3 million from the Placing will be used to finance future business opportunities in information technology, such as smart hospital solution and smart hotel solution, healthcare and medical services and ancillary services and for working capital purposes.

G. FUNDRAISING ACTIVITIES OF THE GROUP IN THE PAST 12 MONTHS

The following table summarizes the capital raising activities of the Group for the 12 months immediately preceding the date of the Announcement:

Date of announcement	Event	Amount of net proceeds	Intended use of net proceeds as stated in the relevant announcement	Actual use of net proceeds as at the Latest Practicable Date
23 May 2006	Placing of 28,000,000 Shares	HK$4.23 million	Partial repayment of the Company's bank borrowings and general working capital of the Company.	– HK$2 million was used as partial repayment of the Company's bank borrowings; and – HK$2.23 million was used as general working capital of the Company.
16 November 2006	Subscription and placing of an aggregate of 67,000,000 Shares	HK$10.43 million	(i) as to HK$2 million for repayment of the Company's bank borrowings; (ii) as to HK$4 million for the research and development of a new product, a new generation touch-screen control panel; and (iii) as to HK$4.43 million for general working capital of the Group.	– HK$2 million was used for repayment of the Company's bank borrowings; – HK$4 million was used for research and development of a new product – a new generation touch screen control panel; and – HK$4.43 million was used as general working capital of the Group

H. EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company upon issue of the Consideration Shares and the Placing Shares are set out as below:

Name of Shareholders	As at the Latest Practicable Date Number of Shares	Approximate percentage	Upon Completion of the Placing (without taking into account the issue of the Consideration Shares and assuming no exercise of the options under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and conversion of the 2008 Convertible Notes) Number of Shares	Approximate percentage	Immediately after completion of the Proposed Acquisition (taking into account of the Consideration Shares but without taking into account the Placing Shares and assuming no exercise of the options under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and conversion of the 2008 Convertible Notes) Number of Shares	Approximate percentage	Immediately after completion of the Proposed and the Placing Acquisition (taking into account of the Consideration Shares and the Placing Shares and assuming no exercise of the options under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and conversion of the 2008 Convertible Notes) Number of Shares	Approximate percentage
Multiturn *(Note 1)*	97,362,000	22.64%	97,362,000	18.37%	97,362,000	12.47%	97,362,000	11.05%
Ms. Y.Y. Wong *(Notes 1, 2,4 & 5)*	–	–	–	–	175,500,000	22.47%	175,500,000	19.92%
Mr. Robert Wong *(Notes 1, 2, 4 & 5)*	–	–	–	–	175,500,000	22.47%	175,500,000	19.92%
Ms. Wong Yuen Man, Alice *(Note 2)*	2,900,000	0.67%	2,900,000	0.55%	2,900,000	0.37%	2,900,000	0.33%
Aggregate interest of the Vendors and parties acting in concert with them	**100,262,000**	**23.31%**	**100,262,000**	**18.92%**	**451,262,000**	**57.77%**	**451,262,000**	**51.22%**
Significant Shareholder:								
Rexy Investment Limited *(Note 3)*	28,800,000	6.70%	28,800,000	5.43%	28,800,000	3.69%	28,800,000	3.27%
Placees	–	–	100,000,000	18.87%	–	–	100,000,000	11.35%
Other public Shareholders	301,013,000	69.99%	301,013,000	56.78%	301,013,000	38.54%	301,013,000	34.16%
Total	430,075,000	100%	530,075,000	100%	781,075,000	100%	881,075,000	100%

Notes:

1 Multiturn is owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San, respectively, all of whom are executive Directors. The directors of Multiturn are Ms. Y.Y. Wong, Mr. Wong Kwok Sing, Mr. Robert Wong and Mr. Lam Shiu San.

2 Ms. Wong Yuen Man, Alice is the sister of Ms. Y.Y. Wong and a party acting in concert with the Vendors.

3 Rexy Investment Limited is wholly owned by Plotio Limited, which is wholly owned by HyComm Wireless Limited, a company listed on the Main Board of the Stock Exchange.

4 Upon completion of the Proposed Acquisition and the allotment and issue of the Consideration Shares to Ms. Y.Y. Wong and Mr. Robert Wong, Ms. Y.Y. Wong and Mr. Robert Wong and parties acting in concert with them will be deemed to be interested in an aggregate of 451,262,000 Shares representing approximately 51.22% of the share capital of the Company as enlarged by the Consideration Shares and the Placing Shares.

5 As at the Latest Practicable Date, each of Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San has outstanding options to subscribe for 7,678,500 Shares, 7,678,500 Shares, 7,678,500 Shares and 7,678,500 Shares, respectively, under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, exercisable (i) during the period of 5 July 2002 to 4 July 2012 as for options to subscribe for 2,400,000 Shares each at the exercise price of HK$0.28 per Share; (ii) during the period of 6 January 2004 to 5 January 2014 as for options to subscribe for 2,378,500 Shares each at the exercise price of HK$0.22 per Share; and (iii) during the period of 20 September 2005 to 19 September 2015 as for options to subscribe for 2,900,000 Shares each at the exercise price of HK$0.114 per Share.

6 Other than the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the 2008 Convertible Notes, there are no derivatives, conversion rights, warrants or options affecting the Shares.

As at the Latest Practicable Date, the Vendors and parties acting in concert with them are interested in approximately 23.31% of the issued share capital of the Company and are the single largest shareholder of the Company. Upon completion of the Proposed Acquisition, the Vendors and parties acting in concert with them will be interested in approximately 57.77% (without taking into account the Placing Shares) of the share capital enlarged by the Consideration Shares and remained the single largest shareholder of the Company. In addition, there will not be any change to the Board as a result of the Proposed Acquisition. Accordingly, the Proposed Acquisition will not result in any change in control of the Company.

I. REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

As stated in the sub-paragraph headed "Mandate to issue Placing Shares", the Directors may issue and allot a further 15,000 new Shares under the General Mandate as at the Latest Practicable Date and the Placing Shares will be issued under a specific mandate to be obtained at the SGM. The Company proposes to refresh the general mandate at the SGM with a view to providing the Company with flexibility for possible future fund raising. The refreshed general mandate, if granted by the Independent Shareholders, shall give the Directors general authority to issue and allot new Shares of up to 20% of the number of Shares in issue as at the date of the SGM subject to the relevant requirements under the GEM Listing Rules and shall continue in force until the earlier of: (i) the conclusion of the next annual general meeting of the Company unless the general mandate is renewed by a separate ordinary resolution; or (ii) the date when it is revoked or varied by ordinary resolution of the Shareholders in general meeting. As at the Latest Practicable Date, the total number of Shares in issue was 430,075,000 Shares. Assuming that there are no changes to the number of issued Shares between the Latest Practicable Date and the date of the SGM, the refreshed general mandate will give the Directors a general authority to issue and allot 86,015,000 Shares, representing 20% of the total issued Shares as at the Latest Practicable Date.

Under Rule 17.42A(2)(b) of the GEM Listing Rules, the proposed refreshment of the general mandate is subject to the approval of the Independent Shareholders. All Directors (excluding the independent non-executive Directors), chief executive and their respective associates will abstain from voting in favour of the extraordinary resolution to be proposed at the SGM in this regard. Apart from the existing Directors and chief executive, the Company confirms that it has no controlling shareholders, or other directors or chief executive at the time when the time when the decision to seek the refreshment of the general mandate was made or approved by the Board.

J. THE SGM

The Proposed Acquisition constitutes a major transaction which is subject to approval by the Shareholders under Rule 19.40 of the GEM Listing Rules. Since the Vendors, together with their associates are Shareholders and are materially interested in the Proposed Acquisition, and the Vendors are connected persons of the Company, the Proposed Acquisition also constitutes a connected transaction which will require the approval of the Independent Shareholders by way of a poll in accordance with Rules 19.46 and 20.18 of the GEM Listing Rules.

The issue of the Placing Shares will have to be made under specific mandate that is subject to the approval of the Independent Shareholders as required under Rule 17.39(1)(a) of the GEM Listing Rules.

Under Rule 17.42A(2)(b) of the GEM Listing Rules, the proposed refreshment of the general mandate to issue new Shares will be subject to the approval of Shareholders other than the Directors and chief executive and their associates.

Resolutions for the approval of the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares will be put to the vote of the Independent Shareholders at the SGM by way of a poll.

The SGM will be convened at which ordinary resolutions will be proposed to seek the approval of the Independent Shareholders by way of poll in relation to the Sale and Purchase Agreement, the issue and allotment of the Consideration Shares, the Whitewash Waiver, the issue and allotment of the Placing Shares and the proposed refreshment of the general mandate to issue new Shares. The Vendors and parties acting in concert with them and all persons interested in or involved in the Proposed Acquisition, the Whitewash Waiver and/or the Placing and all shareholders of Autoscale or UPMG and their respective associates will abstain from voting on all the relevant resolutions to be proposed at the SGM. All Directors and the chief executive and their associates will abstain from voting on the resolution relating to the proposed refreshment of the general mandate to issue new Shares. A notice of the SGM to be convened and held at 11:00 a.m. on Wednesday, 11 April 2007 at Conference Room, Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong is set out on pages 159 to 162 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

K. PROCEDURE TO DEMAND A POLL

Pursuant to bye-law 66 of the Bye-laws, a poll may be demanded in relation to any resolution put to the vote of the SGM before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll. A poll may be demanded:

(a) by the chairman of the SGM; or

(b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the use for the time being entitled to vote at the SGM; or

(c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the SGM; or

(d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its authorised representative or by proxy and holding Shares conferring a right to vote at the SGM being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

L. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 35 of this circular. Your attention is also drawn to the letter of advice from Veda Capital set out on pages 36 to 62 of this circular, which contains, among other things, their advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares and the principal factors and reasons considered in arriving at its advice.

Based on the reasons set out herein and having taken into account the advice of Veda Capital (including the factors and reasons considered by Veda Capital), the Directors are of the view that the terms of the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, Independent Shareholders are recommended to vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares.

M. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Inno-Tech Holdings Limited
Wong Yuen Yee
Chairman

INNO-TECH HOLDINGS LIMITED
匯創控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 8202)

26 March 2007

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF AN INTEREST IN A COMPANY, APPLICATION FOR WHITEWASH WAIVER, PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

We have been appointed by the Board as members of the Independent Board Committee to advise you in connection with the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares, details of which are set out in the letter from the Board contained in the circular dated 26 March 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter from Veda Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares as set out on pages 36 to 62 of the Circular.

Having considered the advice of Veda Capital, we considered the terms of the Proposed Acquisition, the Whitewash Waivers the Placing and the proposed refreshment of the general mandate to issue new Shares are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole and we therefore recommend the Independent Shareholders to vote in favour the resolutions to be proposed at the SGM to approve the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares.

Yours faithfully,
Mr. Wong Tak Leung, Charles **Ms. Ho Chui Yin, Liwina** **Mr. Lai Ying Sum**
Members of the Independent Board Committee

* *for identification purpose only*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of the general mandate to issue new Shares, which has been prepared for the purpose of inclusion in the circular.

VEDA | CAPITAL
智略資本
Veda Capital Limited
Suite 11-12, 13/F, Nam Fung Tower
173 Des Voeux Road Central, Hong Kong

26 March 2007

To the Independent Board Committee and
the Independent Shareholders of
Inno-Tech Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF AN INTEREST IN A COMPANY, APPLICATION FOR WHITEWASH WAIVER, PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of the general mandate to issue new Shares, details of which are set out in the letter from the Board (the "Board Letter") contained in this circular (the "Circular") dated 26 March 2007 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 5 March 2007, the Company entered into the Sale and Purchase Agreement with the Vendors (both being executive Directors) in connection with the Proposed Acquisition of the Sales Shares, representing an aggregate interest of 56% in the issued share capital of Autoscale. The total consideration of HK$58,968,000 for the Proposed Acquisition shall be settled by the Company by allotting and issuing 351,000,000 Consideration Shares to the Vendors credited as fully paid, at the Issue Price of HK$0.168 per Consideration Share. The Proposed Acquisition constitutes a major and connected transaction of the Company under the GEM Listing Rules and is subject to the approval of the Independent Shareholders by way of a poll at the SGM. As at the Latest Practicable Date, the Vendors, together with parties acting in concert with them, were interested in as to approximately 23.31% of the issued share capital of the Company. Upon completion of the Proposed Acquisition and the Placing, the Vendors, together with parties acting in concert with them will hold approximately 51.22% of the issued share capital of the

Company as enlarged by the Consideration Shares and the Placing Shares. In the absence of the Whitewash Waiver, the Vendors should be obliged to make a mandatory general offer to acquire all the Shares other than those already owned by the Vendors and parties acting in concert with them. An application has been made to the Executive by the Vendors for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the SGM.

On 5 March 2007, the Company also entered into the Placing Agreement with the Placing Agent in relation to the placing of an aggregate of 100,000,000 Shares on a best effort basis at the Placing Price of HK$0.168 per Placing Share. The Placing Agent has confirmed on 12 March 2007 that all of the 100,000,000 Shares have been placed. As the Placing Shares exceeds the 15,000 Shares that may be granted under the General Mandate as at the Latest Practicable Date, the issue of the Placing Shares will have to be made under a specific mandate subject to the approval of the Shareholders under Rule 17.39(1)(a) of the GEM Listing Rules.

The Company also proposes to refresh the general mandate to issue new Shares subject to the approval of the Independent Shareholders at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Tak Leung, Charles, Ms. Ho Chui Yin, Liwina and Mr. Lai Ying Sum, all of whom have neither involved in nor interested in the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of general mandate to issue new Shares and thus being independent, has been established to advise the Independent Shareholders in respect of the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of the general mandate to issue new Shares. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of the general mandate to issue new Shares are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of the general mandate to issue new Shares are in the interests of the Company and the Independent Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the resolutions to approve the Proposed Acquisition, the Whitewash Waiver, the Placing and the refreshment of the general mandate to issue new Shares.

BASIS OF OUR ADVICE

In arriving at our recommendations, we have relied on the information including but not limited to the published information of the Group and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions contained or referred to in the Circular and all information, representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which are solely responsible, are true and accurate at the time when they were made and will continue to be accurate as at date of the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Proposed Acquisition, the Whitewash Waiver, the Placing and the proposed refreshment of the general mandate to issue new Shares and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have performed all steps pursuant to GEM Listing Rule 17.92 including the notes thereon and taken into account the principal factors and reasons set out below:

Financial and business highlights of the Group

The Group is a software application solutions provider which mainly engaged in the provision of internet design for residential communities and e-property management software application consulting services based on the application of the i-Panel and its integrated hardware and software in the PRC.

For the year ended 31 March 2006, the Group recorded turnover of approximately HK$90.96 million, representing an increase of approximately 15.55% from turnover of approximately 78.72 million for the year ended 31 March 2005. The increase was mainly due to the expansion of the Group into production of home-automation products and the increase in marketing force during the year. The consolidated loss of the Group for the year ended 31 March 2006 was approximately HK$5.71 million whereas the Group recorded a net profit of approximately HK$5.66 million for the year ended 31 March 2005. The loss for the year ended 31 March 2006 was mainly attributed to change of accounting policies of one time written off of share-based payment relating to the grant of share options of approximately HK$2.46 million and intangible assets written off of approximately HK$5.50 million in administration expenses.

As for the nine months ended 31 December 2006, turnover of the Group was approximately HK$19.34 million, representing a significant decrease of approximately 71.5% compared to the turnover for the nine months ended 31 December 2005 of approximately HK$67.82 million. In line with the credit policy of the Group, for those customers whose credit were approaching the limit set by the Group or already exceeded the limit, the Group has temporarily suspended further sales to them while continue to recover the outstanding amounts from them. At the same time, the Group continues to identify new customers. The substantial decrease in turnover was mainly due to the fact that the sales to new customers failed to match the decrease in sales to existing customers. The Directors stated that the substantial drop in turnover was due to the fact that a lot of the existing customers and resellers had exceeded their credit limits with the Group whereas the amount of sales to new customers had not yet caught up. Net loss for the nine months ended 31 December 2006 was approximately HK$7.45 million compared to a net profit of approximately HK$8.72 million for the same period in 2005. The net loss incurred by the Group for the period was mainly due to the decrease in turnover, high level of amortization for intangible assets and additional provision for bad debts.

As stated in the third quarterly report of the Company for the nine months ended 31 December 2006, the Group has adopted a dual strategy for business development, to widen its income base and to strengthen its original business while at the same time seek opportunities to expand into woman and child medical services and to the medical industry for provision of electronic medical software application and support services.

For the financial year ended 31 March 2006, the Group had actively expanded the scope of its existing business to apply electronic software application solutions into medical services in the PRC, and laid a well-rounded foundation for the Group's expansion into medical market and high consumption healthcare market with the establishment of Pro-Innovative Holding Ltd. and Parentech China Limited. The Group also intends to expand into areas such as hospital management services, medical healthcare products market and medical project investment.

In respect of the second limb of the Group's dual strategy, the Group has been exploring opportunities to expand into woman and child medical services and ancillary services.

As set out in the announcement made by the Company dated 18 December 2003, the Company and UPMG have formed a joint venture engaging in the provision of consultancy, training and management services for the operation of specialty/ boutique hospitals and medical centres and VIP units in hospitals in the PRC, through utilization of communication technology, tailor-made software application and customer relationship. The establishment of this joint venture with UPMG is the first step towards implementing the dual strategy of the Group.

A. PROPOSED ACQUISITION

I. Assets to be acquired

The Company shall acquire the Sales Shares held by each of Ms. Y.Y. Wong and Mr. Robert Wong (as to 28 shares of US$1.00 each in the capital of Autoscale from each of Ms. Y.Y. Wong and Mr. Robert Wong), representing an aggregate of 56% shareholding interest in Autoscale.

(a) Information on Autoscale

Autoscale is a holding company incorporated in the British Virgin Islands. The sole asset of Autoscale is 6,000 Ordinary Shares, representing approximately 37.71% of the Ordinary Shares of UPMG. The present directors of Autoscale are Ms. Y.Y. Wong and Mr. Robert Wong, both of whom are also directors of UPMG. Upon completion of the Proposed Acquisition, there will not be any change to the board of Autoscale.

(b) Information on the UPMG Group

The UPMG Group, through its operating subsidiaries, is principally engaged in the business of infrastructure investment in boutique units in hospitals or medical centres of its business partners and providing hospital management and medical consultation services through co-operation with hospitals and medical institutions in the PRC and Macau on one hand and strategic alliances with medical institutions in the United States of America and experienced healthcare experts and medical consultants on the other hand.

The UPMG Group and its partners in the PRC and Macau will co-operate in the establishment of VIP Centres. The UPMG Group established its first maternity VIP Centre in Shanghai in October 2002. Currently, the UPMG Group has signed co-operation contracts with eleven hospitals/medical institutions for establishing VIP Centres in Shanghai, Wuxi, Guangzhou, Foshan, Xiamen, Changsha, Hangzhou, Jinan, Beijing and Nanjing, the PRC and one co-operation contract with a medical centre in Macau for establishing a VIP Centre in Macau. As at the Latest Practicable Date, the UPMG Group has established VIP Centres in Shanghai, Wuxi, Guangzhou, Foshan, Xiamen, Changsha and Hangzhou, the PRC. Since November 2006, the VIP Centre in Macau has commenced operation.

Under the terms of cooperation agreements between members of the UPMG Group and the hospitals, medical institutions in the PRC and Macau, the relevant members of the UPMG Group is responsible for renovating and providing necessary equipment for the VIP Centres located at the hospital or clinic of its partner. The UPMG Group is also responsible for providing medical consultants and experts to evaluate the operation of the VIP Centres and to identify and recommend areas for improvement so that the management and quality of services provided at such VIP Centres are of world-class standard. Members of the UPMG Group, along with guest healthcare experts and medical consultants, provide training and seminars on latest medical development to medical staff of the VIP Centres and assist in the recruitment of medical staff or arrange for secondment of staff to such VIP Centres. In return, the UPMG Group charges a consultancy fee including a fixed fee and a percentage of the profit generated from the VIP Centres.

To facilitate the UPMG Group to carry out its obligations under the co-operation agreements, the UPMG Group has entered into clinical consultation agreements with a renowned medical institution in the United States of America and a consultation agreement with an experienced medical consultant to provide clinical consultation services to the VIP Centres in the PRC and Macau. In addition, the UPMG Group has from time to time arranged for medical consultants from other renowned medical institutions to visit the medical centres in the PRC.

(c) Business outlook

According to the Ministry of Health of the PRC and the World Health Organization, healthcare expenditure in the PRC was approximately RMB515 billion and RMB762 billion in 2001 and 2004 respectively, representing a growth of approximately 50% in four years. Despite the recent growth in the healthcare expenditure in the PRC, the healthcare expenditure in the PRC, as represented by the total healthcare expenditure as a percentage of gross domestic product and healthcare expenditure per capita, still lag far behind from those of the developed countries, like Japan and the United States according to the World Health Report 2006 issued by the World Health Organization. The total healthcare expenditures as a percentage of gross domestic product of the PRC, Japan and the United States of America (the "United States") in 2004 are 5.4%, 6.6% and 14.4% respectively. The healthcare expenditures per capita of the PRC, Japan and the United States in 2004 are US$73, US$2,369 and US$5,941 respectively.

Moreover, as far as the Directors are aware, the healthcare market in the PRC has long been predominated by state-run hospitals which are highly bureaucratic and poorly managed. Recently, the healthcare market in the PRC has been liberalized to allow foreign cooperation for hospitals and medical institutions. With the implementation of the "One-Child Policy", increase in middle class population and rising disposable income in the PRC, we share the view of the Directors that quality maternity services market in the PRC is promising.

II. Reasons for the Proposed Acquisition

The Directors considered the acquisition of an interest in Autoscale as a move to further the Group's relationship with the UPMG Group and also a step towards implementing the Group's dual business strategy of continued strengthening its current business and expansion into healthcare and medical services. In this regards, the business plan for the Group's current business in the long run involves continued expansion of the Group's core business, which is the application of information technology in real estate/ households in the PRC. Moreover, the Company will take advantage of its existing products, technology and experience to expand the market in applying information technology to hospitals and hotels in the PRC. The Directors believed that the UPMG Group has over the years built up a network of business contacts with authorities as well as medical institutions in the PRC and the United States of America, which will assist the Group in furtherance of its existing business as well as expansion into healthcare and medical services.

In considering the acquisition of the Sale Shares from the Vendors, the Directors have taken into account the experience of the UPMG Group in the healthcare business in the PRC, particularly, in the management of hospitals which caters specifically for women and children. Furthermore, the Directors believed that experience of the UPMG Group will also provide the Group with valuable guidance in identifying suitable business opportunities in the area of healthcare and medical service industry in the PRC in line with the second limb of its dual strategy.

The Directors noted that the loss of the UPMG Group for the two financial years as mentioned in the section headed "Information on the UPMG Group" in the Board Letter were mainly due to the finance expenses associated with the fund raising exercises undertaken by UPMG and depreciation cost of the capital investment of the UPMG Group in the VIP Centres. Since its establishment in 2002, UPMG has relied on private placements of convertible notes (which have been redeemed in full in 2005), Ordinary Shares and Preference Shares to raise the necessary funds to finance its business development. UPMG has raised a total amount of over US$23 million (equivalent to over HK$179.4 million) since its commencement of business in April 2002. As detailed in the paragraph headed "Information on the UPMG Group" in the Board Letter, under the co-operation contracts, the UPMG Group is responsible for renovating and providing the necessary equipment for the VIP Centres which involved heavy capital expenditure. Furthermore, the VIP Centres usually have a startup period of nine to fifteen months during which the operation costs of the VIP Centres were financed by funds raised through the various fund raising exercises. The first VIP Centre commenced operation in October 2002 in Shanghai and now that there are eight VIP Centres in operation, most of which were established in 2005. Based on the aforementioned operation cycle of the VIP Centres, the Directors believe that most of the current VIP Centres of the UPMG Group has passed the set-up period and will start to generate positive cashflow this year.

III. Consideration for the Proposed Acquisition

Pursuant to the Sale and Purchase Agreement, the total consideration payable for the Sales Shares is HK$58,968,000 to be satisfied by the allotment and issue of 351,000,000 Consideration Shares to the Vendors (175,500,000 Consideration Shares to each Vendor) at the Issue Price of HK$0.168 per Consideration Share.

(i) Basis of the consideration

The consideration for the Proposed Acquisition was agreed between the Company and the Vendors after arm's length negotiations by reference to the following factors:

(a) Taking into account the following value of the underlying assets of Autoscale, i.e. the value of the 6,000 Ordinary Shares held by Autoscale:

– UPMG has undertaken to the holders of the Preference Shares that no Ordinary Shares will be issued at an issue price below US$1,428 each Ordinary Share. As advised by the directors of UPMG, a private subscription of the Ordinary Shares undertaken by UPMG in the third quarter of 2004 which raised over US$1.5 million, all the Ordinary Shares were subscribed by independent third parties at the price of US$1,428 per Ordinary Share.

– The price at which each Preference Share can be converted into Ordinary Share is US$2,500.

(b) Upon completion of the Proposed Acquisition, the Company will be interested in more than 50% of the issued share capital of Autoscale and effectively controls the 6,000 Ordinary Shares held by Autoscale. Accordingly, on the basis that the consideration payable for the Sale Shares is HK$58,968,000 (equivalent to approximately US$7,560,000), the Company effectively obtains control over the 6,000 Ordinary Shares of Autoscale at the price of US$1,260 each Ordinary Share, representing a discount of approximately 11.76% to the minimum issue price of new Ordinary Shares.

(c) If calculated in terms of effective interest in 3,360 Ordinary Shares to be acquired (56% of the 6,000 Ordinary Shares held by Autoscale), the price per Ordinary Share will be US$2,250, representing a 10% discount to the current conversion price of the Preference Share at US$2,500 each. The 10% is agreed by the parties taking into account that the Preference Shares carry fixed dividend at the rate of 8% per annum, which the Ordinary Shares are not entitled to.

(d) The business of the Group and the synergy of the businesses of the Group and the UPMG Group as elaborated in the paragraphs headed "Information on the UPMG Group" and "Reasons for the Proposed Acquisition" as stated in the Board Letter.

(ii) Comparables in the same industry

It was stated and explained in the section headed "Consideration" in the Board Letter that the parties had not made any reference to the financial performance of the UPMG Group in determining the consideration because UPMG is only an associate of Autoscale and its financial performance has no direct impact on Autoscale. In order to access the fairness and reasonableness of the consideration, we apply two commonly used valuation approaches, i.e. price-earnings ratio and price-to-book ratio to compare the valuation of the Sale Shares with other listed companies in the same industry as the UPMG Group.

(a) Price-earnings ratio

Based on the accountants' report on Autoscale as set out in Appendix II to this circular, Autoscale incurred net loss attributable to its shareholders of approximately HK$20,000 for the year ended 30 September 2006. As stated in the Board Letter, UPMG Group incurred a consolidated loss after tax of approximately HK$29.5 million. Given the losses incurred by both Autoscale and UPMG in the latest financial year, we concur with the view of the Directors that the use of price-earnings ratio to value Autoscale and UPMG is not practical. For the purpose of illustration, we note that three out of the five Industry Comparables (as defined in the section headed "Price-to-book ratio" below) incurred losses during the relevant latest financial year.

(b) Price-to-book ratio

We have considered applying an alternative valuation approach to appraise the value of Autoscale and UPMG. However, since Autoscale (including its associate, UPMG) is not an asset-based group of companies, the price-to-book ratio might not be a very meaningful parameter to appraise the value of Autoscale. Moreover, Autoscale has a net liabilities position of HK$158,500 as at 30 September 2006 and thus using price-to-book ratio for the valuation of Autoscale is not practical either.

Under the Hong Kong accounting standard, the audited consolidated net asset value of the UPMG Group as at 30 September 2006 was approximately HK$42.2 million. For illustration purpose, the book value for the Sale Shares (with effective interest of approximately 21.12% in UPMG) was approximately HK$8.9 million and the price-to-book ratio was approximately 6.62 times with total consideration payable for the Sale Shares being approximately HK$59 million.

In order to assess the fairness and reasonableness of the consideration for the Proposed Acquisition, we seek to compare it by means of price-to-book ratio with the market statistics of companies (the "Industry Comparables") listed on the Stock Exchange, which are engaged in similar industry as the UPMG Group, i.e. the provision of healthcare services in the PRC and/or Hong Kong. The Industry Comparables were identified by our research through Bloomberg. We have included all such companies listed on the Stock Exchange, which are engaged in the provision of healthcare services in the PRC and/or Hong Kong as the Industry Comparables. Details of our findings on the Industry Comparables are summarized in the following table.

Company	**Principal activities**	**Year end date**	**Market capitalization at as the Last Trading Day** *(HK$)*	**Audited net asset value for the financial year ended on the year end date** *(HK$)*	**Price-to-book ratio** *(Times)*
China HealthCare Holdings Limited (Stock code: 673)	Producing and trading of biotechnology products, and provision for medical consultancy and agency services	31 March 2006	292,959,471	31,473,000	9.31
Core Healthcare Investment Holdings Limited (Stock code: 8250)	Research and development and commercialization of testing services developed from third party technologies relating to the diagnosis of cancerous, prenatal and other major diseases	30 June 2006	71,470,672	27,863,796	2.57
Hong Kong Health Check and Laboratory Holdings Company Limited (Stock code: 397)	Manufacturing and sale of garment and provision of healthcare and medical checks services	31 March 2006	340,957,900	1,873,000	182.04
Quality HealthCare Asia Limited (Stock code: 593)	Provision of a wide range of integrated healthcare services	31 December 2005	800,440,116	150,287,000	5.33
Town Health International Holdings Company Limited (Stock code: 8138)	Provision of healthcare and dental services, sale of healthcare, pharmaceutical products, cardiology and peripheral vascular related surgical equipment	31 March 2006	1,977,102,725	249,155,231	7.94
Average					**41.44**
Average (excluding the outliner)					**6.29**
Proposed Acquisition of the Sale Shares		**30 September 2006**	**58,968,000**	**8,910,812**	**6.62**

Source: website of the Stock Exchange (www.hkex.com.hk)

Based on the table above, the price-to-book ratios of the Industry Comparables ranged from approximately 2.57 times to approximately 182.04 times with an average of approximately 41.44 times. Since Hong Kong Health Check and Laboratory Holdings Company Limited has an abnormally high price-to-book ratio of approximately 182.04 times, the average price-to-book ratio by excluding such Industry Comparable is approximately 6.29 times. The price-to-book ratio for the Proposed Acquisition of approximately 6.62 times falls within the above range, falls below the average and is slightly higher than and at similar level as the average (excluding Hong Kong Health Check and Laboratory Holdings Company Limited). We consider such a comparison provide an insight that the Proposed Acquisition was valued at a comparable level with the valuations of the Industry Comparables.

Having considered the above factors, we concur with the Directors that the total consideration for the Sale Shares is fair and reasonable. We also consider that the issue of the Consideration Shares to the Vendors is in the interests of the Company as the Proposed Acquisition will not draw on the existing cash resources of the Company.

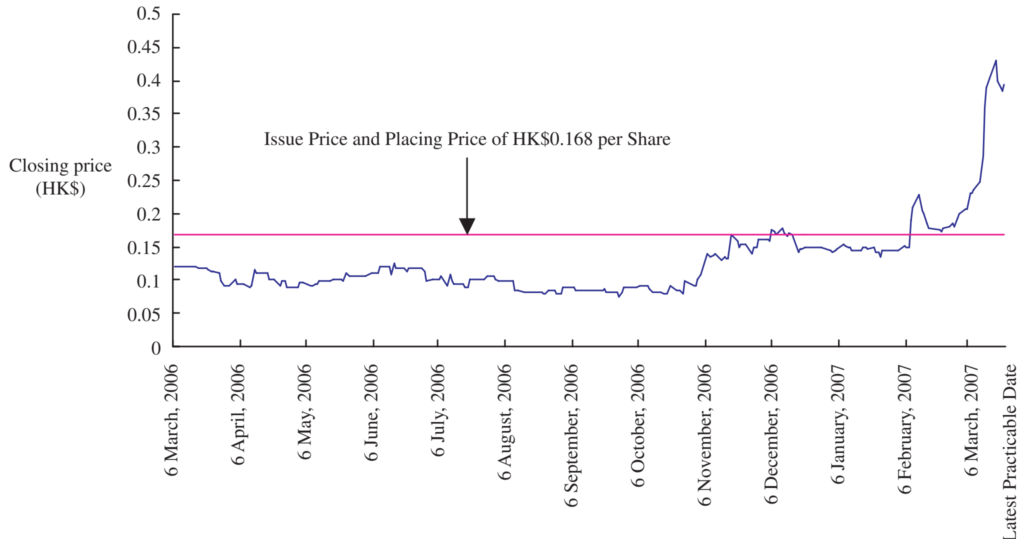
IV. The Consideration Shares

(a) Issue Price

The premium/(discount) of the Issue Price of HK$0.168 per Consideration Share over/(to) the closing price of the Shares for different periods are set out in the following table:

Date/period	**Closing price/ average closing price per Share for the period** *(HK$)*	**Premium/(Discount) of the conversion/ issue price over/(to) the closing price/ average closing price per Share in the respective period** *(%)*
As at the Last Trading Day	0.206	(18.45)
5 trading days up to and including the Last Trading Day	0.192	(12.50)
10 trading days up to and including the Last Trading Day	0.185	(9.19)
One-month period up to and including the Last Trading Day	0.187	(10.16)
Three-month period up to and including the Last Trading Day	0.162	3.70
Six-month period up to and including the Last Trading Day	0.134	25.37
One year period up to and including the Last Trading Day (the "Pre-Announcement Period")	0.117	43.59
As at the Latest Practicable Date	0.395	(57.47)

The above table shows that the premium/(discount) of the issue price over/(to) the closing price/ average closing price per Share in the respective period ranges from a discount of 18.45% to a premium of 43.59% during the Pre-Announcement Period.



Note: Trading of the Shares was suspended on 16 November 2006 and 6 March 2007.

As illustrated in the chart above, the Issue Price of HK$0.168 per Share represents premium over the closing prices of the Shares for most of the trading days throughout the Pre-Announcement Period (i.e. for 227 out of 248 trading days, the Issue Price is at a premium over the closing price of the Shares). For the 16 trading days between 8 February 2007 and the Last Trading Day, the Issue Price represented a discount to the closing prices of the Shares with discount rates ranged from the lowest of approximately 2.89% to the highest of approximately 26.32% and an average discount rate of approximately 11.72%.

The Company announced on 23 May 2006 and 31 August 2006, respectively, that it has entered into a memorandum of understanding on 23 May 2003 and the supplemental memorandum of understanding on 31 August 2006 with the Vendors in relation to the proposed acquisition of an aggregate of 66% of the issued share capital of Autoscale. The closing price of the Shares on 23 May 2006 and 31 August 2006 was HK$0.098 and HK$0.08 respectively. Therefore, the Issue Price and the Placing Price are at premiums of approximately 71.43% and approximately 110% to the closing price of the Shares on the dates when the Company entered into the memorandum of understanding and supplemental memorandum of understanding, which eventually lead to the Proposed Acquisition.

Given that the Issue Price is (i) at premium over the closing price of the Shares for majority number of days during the Pre-Announcement Period; and (ii) at substantial premiums to the closing price of the Shares on the dates when the relevant memorandum of understanding and supplemental memorandum of understanding were entered into by the Company, we consider the Issue Price was set at a fair and reasonable level.

(b) Comparisons of the Consideration Shares

In order to assess the fairness and reasonableness of the terms of the Consideration Shares, we have looked into the market statistics of the Industry Comparables to see if there are any issues of consideration shares to the relevant vendors to satisfy all or part of the consideration for the relevant acquisitions. However, we could not identify any of the relevant transactions by the Industry Comparables during the 12 months immediately prior to the Latest Practicable Date. On the other hand, we have looked into all the recent circulars of acquisitions (since 11 December 2006 until the Latest Practicable date; we have identified altogether 20 Consideration Shares Comparables during this 15 weeks and we consider that it is sufficient for the basis of comparison) involving the issue of consideration shares (the "Consideration Shares Comparables") by companies listed on the Stock Exchange for reference. We believe that although all the Consideration Shares Comparables are not engaged in the similar principal activities as the UPMG Group, they provide a reasonable size of comparison basis and could reflect the recent trend of the terms of issue of consideration shares in the market. We are mindful of the fact that terms of the consideration shares may vary under different stock market conditions as well as among companies with different financial standings and business performance. Nevertheless, we consider that a broader comparison of issuance of consideration shares announced recently would provide a more general reference for the terms of issue of the Consideration Shares. Set out below is the list of the 20 Consideration Shares Comparables which issued the circulars of acquisitions most recently involving issue of consideration shares:

						Premium/ (discount) of the issue price over/to:					
Date of circular	**Principal Company**	**Activities**	**Market capitalization as at the Last Trading Day** *(HK$ million)*	**Amount involved for the consideration shares** *(HK$ million)*	**Issue price of the consideration shares** *(HK$)*	**(i) the closing price of shares on the last trading day** *(%)*	**(ii) the 5-day average closing price of shares before the last trading day** *(%)*	**(iii) the 10-day average closing price of shares before the last trading day** *(%)*	**Price-earnings ratio** *(Note 1)* *(time)*	**Price-to-book ratio** *(Note 2)* *(times)*	**Dividend yield** *(Note 3)* *(%)*
14 Dec 06	Union Bridge Holdings Limited (Stock code: 8047)	Research, development and provision of information-on-demand system solutions and the provision of related products and services	267	6	0.20	(14.89)	(14.09)	(12.36)	Loss making thus not applicable	4.63	No dividend declared or paid for the latest financial year
18 Dec 06	Uni-Bio Science Group Limited (Stock code: 690)	Manufacture and sale of packaging products and paper gift items and the printing of paper promotional materials in accordance with customers' designs and specifications	2,841	224	2.80	(14.11)	(14.11)	(15.15)	Loss making thus not applicable	3.96	No dividend declared or paid for the latest financial year

Date of circular	Principal Company	Activities	Market capitalization as at the Last Trading Day *(HK$ million)*	Amount involved for the consideration shares *(HK$ million)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) of the issue price over/to: (i) the closing price of shares on the last trading day *(%)*	(ii) the 5-day average closing price of shares before the last trading day *(%)*	(iii) the 10-day average closing price of shares before the last trading day *(%)*	Price-earnings ratio *(Note 1)* *(time)*	Price-to-book ratio *(Note 2)* *(times)*	Dividend yield *(Note 3)* *(%)*
19 Dec 06	Panorama International Holdings Limited (Stock code: 8173)	Distribute and sub-license distribution rights of video programmes mainly in VCD and DVD formats for home entertainment in Hong Kong and other Asia countries	97	5.5	0.0684	5.16	17.45	16.65	14.6	0.59	No dividend declared or paid for the latest financial year
8 Jan 07	Big Media Group Limited (Stock code: 8167)	Product and sales of videos and films, and the licensing of video and copyrights/ film rights	65	45	0.20	70.94	52.67	44.93	Loss making thus not applicable	Net liabilities thus not applicable	No dividend declared or paid for the latest financial year
12 Jan 07	Foundation Group Limited (Stock code: 1182)	Apparel trading, securities trading and strategic investments	7,719	30	0.01	(98.41)	(98.28)	(98.18)	Loss making thus not applicable	2.08	No dividend declared or paid for the latest financial year
22 Jan 07	Everbest Century Holdings Limited (Stock code: 578)	Generation and sale of electricity through the operation of a coal-fired electricity power plant located in Fujian Province, PRC.	471	38	0.38	(7.32)	(11.42)	(12.74)	Loss making thus not applicable	1.00	No dividend declared or paid for the latest financial year

Date of circular	Principal Company	Activities	Market capitalization as at the Last Trading Day *(HK$ million)*	Amount involved for the consideration shares *(HK$ million)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) of the issue price over/to: (i) the closing price of shares on the last trading day *(%)*	(ii) the 5-day average closing price of shares before the last trading day *(%)*	(iii) the 10-day average closing price of shares before the last trading day *(%)*	Price-earnings ratio *(Note 1)* *(time)*	Price-to-book ratio *(Note 2)* *(times)*	Dividend yield *(Note 3)* *(%)*
4 Jan 07	China Motion Telecom International Limited (Stock code: 989)	Provision of international telecommunication services, mobile communications services and distribution and retail chain	764	120	0.60	(15.49)	(16.43)	(13.42)	Loss making thus not applicable	24.69	No dividend declared or paid for the latest financial year
29 Jan 07	139 Holdings Limited (Stock code:139)	Manufacture, trading and distribution of car audio equipment and other merchandise. Trading of securities, and the provision of Internet and Internet-related business	340	25	0.4	12.68	8.99	13.80	Loss making thus not applicable	1.96	No dividend declared or paid for the latest financial year
31 Jan 07	China Energy Development Holdings Limited (Stock code: 228)	Operation of a chain of Chinese restaurants and food manufacturing in Hong Kong	4,158	200	1.00	(5.66)	(0.99)	7.53	Loss making thus not applicable	31.95	No dividend declared or paid for the latest financial year
5 Feb 07	FX Creations International Holdings Limited (Stock code: 8136)	Retail sales of bags and accessories under its FX Creations brandname	522	10.37	0.01	(87.50)	(87.75)	(88.56)	Loss making thus not applicable	0.67	No dividend declared or paid for the latest financial year

						Premium/ (discount) of the issue price over/to:					
Date of circular	Principal Company	Activities	Market capitalization as at the Last Trading Day *(HK$ million)*	Amount involved for the consideration shares *(HK$ million)*	Issue price of the consideration shares *(HK$)*	(i) the closing price of shares on the last trading day *(%)*	(ii) the 5-day average closing price of shares before the last trading day *(%)*	(iii) the 10-day average closing price of shares before the last trading day *(%)*	Price-earnings ratio *(Note 1)* *(time)*	Price-to-book ratio *(Note 2)* *(times)*	Dividend yield *(Note 3)* *(%)*
12 Feb 07	Goldlion Holdings Limited (Stock code: 533)	Distribution and manufacturing of garments, leather goods and accessories, property investments, and operation of a commercial center with restaurants and business centre	1,321	63	1.40	0	0	2.2	Loss making thus not applicable	0.82	6
12 Feb 07	Sunny Global Holdings Limited (Stock code: 1094)	Design, manufacture and sale of a wide range of leisure and athletic footwear	138	35.8	0.10	0	(1.4)	(0.5)	Loss making thus not applicable	2.13	No dividend declared or paid for the latest financial year
16 Feb 07	Wing Shing International Holdings Limited (Stock code: 850)	Manufacture and sale of paints, blended solvents and plastic colorants; trading of chemical materials	418	40	0.66	(17.5)	(7.6)	(4.5)	48.9	3.40	No dividend declared or paid for the latest financial year
16 Feb 07	Neo-China Group (Holdings) Limited (Stock code: 563)	Property development and investment	6,463	450	1.80	45.2	46.3	47.06	118.4	0.52	0.83
26 Feb 07	China Oil And Gas Group Limited (Stock code: 603)	Investment in Internet, information technology, natural gas business manufacture and trading of silicone rubber products	1,987	96	0.24	(27.27)	(8.33)	5.17	Loss making thus not applicable	3.23	No dividend declared or paid for the latest financial year

Date of circular	Principal Company	Activities	Market capitalization as at the Last Trading Day *(HK$ million)*	Amount involved for the consideration shares *(HK$ million)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) of the issue price over/to: (i) the closing price of shares on the last trading day *(%)*	(ii) the 5-day average closing price of shares before the last trading day *(%)*	(iii) the 10-day average closing price of shares before the last trading day *(%)*	Price-earnings ratio *(Note 1)* *(time)*	Price-to-book ratio *(Note 2)* *(times)*	Dividend yield *(Note 3)* *(%)*
9 Mar 07	Signal Media and Communications Holdings Limited (Stock code: 2362)	Development and distribution of solvent pesticides and property investment of silicone rubber products	344	67	0.10	(12.3)	(10.1)	(10.3)	Loss making thus not applicable	0.65	No dividend declared or paid for the latest financial year
15 Mar 07	Oriental Investment Corporation Limited (Stock code: 735)	Investment and letting of properties, trading of electronic products and development of technology in the environmental protection industry	1,932	102.7	0.26	(34.18)	(23.98)	(25.18)	Loss making thus not applicable	5.36	No dividend declared or paid for the latest financial year
19 Mar 07	Nubrands Group Holdings Limited (Stock code: 835)	Sale of medical equipment and supplies and health and beauty products of silicone rubber products	157	10.01	0.286	25.99	40.89	40.40	Loss making thus not applicable	8.9	No dividend declared or paid for the latest financial year
21 Mar 07	Simsen International Corporation Limited (Stock code: 993)	Shipment sales of metals and metal scraps; bullion, securities & futures contracts broking; provision of margin and loan financing; holding of investment properties in Hong Kong and mining operations in China	87	13	0.1275	(11.5)	(15.0)	(20.3)	0.5	0.37	8.6

						Premium/ (discount) of the issue price over/to:					
Date of circular	Principal Company	Activities	Market capitalization as at the Last Trading Day	Amount involved for the consideration shares	Issue price of the consideration shares	(i) the closing price of shares on the last trading day	(ii) the 5-day average closing price of shares before the last trading day	(iii) the 10-day average closing price of shares before the last trading day	Price-earnings ratio *(Note 1)*	Price-to-book ratio *(Note 2)*	Dividend yield *(Note 3)*
			(HK$ million)	*(HK$ million)*	*(HK$)*	*(%)*	*(%)*	*(%)*	*(time)*	*(times)*	*(%)*
22 March 07	New World Cyberbase Limited (Stock code: 276)	Property investments and aircraft charter	2,992	270	0.24	(11.11)	5.08	7.53	Loss making thus not applicable	1.33	No dividend declared or paid for the latest financial year
	Highest premium					**70.94**	**52.67**	**47.06**			
	Lowest premium					**5.16**	**5.08**	**2.2**			
	Average premium					**31.99**	**28.56**	**20.59**			
	Highest discount					**(98.41)**	**(98.28)**	**(98.18)**			
	Lowest discount					**(5.66)**	**(0.99)**	**(0.50)**			
	Average discount					**(27.48)**	**(23.81)**	**(27.38)**			
	Highest								**118.40**	**31.95**	**8.60**
	Lowest								**0.50**	**0.37**	**0.83**
	Average								**38.40**	**5.17**	**5.14**
	Proposed Acquisition		**88.6**	**58.968**	**0.168**	**(18.45)**	**(12.50)**	**(9.19)**	**Loss making thus not applicable**	**6.62**	**No dividend declared or paid for the latest financial year**

Source: The Stock Exchange of Hong Kong Limited

Notes:

1. Ratio of the issue price of the consideration shares to the latest available earnings per share of the respective Consideration Shares Comparables.

2. Ratio of the issue price of the consideration shares to latest available net asset value per share of the Consideration Shares Comparables.

3. Dividend for the latest financial year over the issue price of the consideration shares.

As indicated in the above table setting out the Consideration Shares Comparables, we observed that:

(i) majority of the issue prices of the consideration shares of the Consideration Shares Comparables were set at discounts to the prevailing market prices, for example, 13 out of 20 of the issue price of the Consideration Shares Comparables were set at discounts to the closing price of the relevant shares on the last trading day;

(ii) the ("Last Day Discount") discount of approximately 18.45% represented by the Issue Price to the closing price of HK$0.206 per Share on the Last Trading Day falls within the range of discounts represented by the Consideration Shares Comparables on the relevant last trading days, which ranges between discounts of 5.66% and 98.41%. The Last Day Discount is also less than the average discount of approximately 27.48% represented by the issue price of the Consideration Shares Comparables to the closing price on the relevant last trading days;

(iii) the ("5-Day Discount") discount of approximately 12.50% represented by the Issue Price to the 5-day average closing price of HK$0.192 per Share for the last five trading days up to and including the Last Trading Day falls within the range of discounts represented by 5-day average closing prices of the Consideration Shares Comparables on the relevant last five trading days, which ranges between discounts of 0.99% and 98.28%. The 5-Day Discount is less than the average discount of approximately 23.81% represented by the issue price of the Consideration Shares Comparables to the closing price on the relevant five last trading days; and

(iv) the (10-Day Discount") discount of approximately 9.19% represented by the issue price of each Consideration Share to the 10-day average closing price of HK$0.185 per Share for the last ten trading days up to and including the Last Trading Day falls within the range of discounts represented by 10-day average closing prices of the Consideration Shares Comparables on the relevant last ten trading days, which ranges between discounts of 0.5% and 98.18%. The 10-Day Discount is less than the average discount of approximately 27.38% represented by the issue price of the Consideration Shares Comparables to the closing price on the relevant ten last trading days;

(v) 16 out of 20 of the Consideration Shares Comparables were loss making while both Autoscale and UPMG also incurred losses for the respective latest financial year. Thus, the use of price-earnings ratio to value the Proposed Acquisition is not practical;

(vi) the price-to-book ratio of 6.62 times of the Proposed Acquisition as mentioned in the section headed "Price-to-book ratio" above falls within the range of the price-to-book ratios of the Consideration Share Comparables between approximately 0.37 times and approximately 31.95 times and is higher than the average of the average price-to-book ratio of the Consideration Shares Comparables of approximately 5.17 times; and

(vii) 17 out of 20 of the Consideration Shares Comparables did not declare or pay dividends for the latest financial year while both Autoscale and UPMG also did not declare or pay dividends for the respective latest financial year. Thus, the use of dividend yield to value the Proposed Acquisition is not practical.

Based on the above observation, we concur with the view of the Directors that the Issue Price is fair and reasonable so far as the interests of the Company and the Independent Shareholders are considered. We also consider that the terms of the Proposed Acquisition to be normal commercial terms.

V. Possible financial effects of the Proposed Acquisition

Upon completion of the Proposed Acquisition, the Company shall account for Autoscale and UPMG in its books as a 56%-owned subsidiary and an associated company respectively.

(a) Net asset value

Net asset value of the Group and net asset value per Share as at 30 September 2006 were approximately HK$53.12 million and approximately HK$0.1235 respectively. Based on the unaudited pro forma consolidated asset and liabilities of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated net asset value of the Enlarged Group is approximately HK$112.09 million. Goodwill of approximately HK$60.43 million will arise from the Proposed Acquisition, which will be recognized in the consolidated balance sheet of the Enlarged Group after completion of the Proposed Acquisition and will be subject to an annual review of impairment in value at each balance sheet date.

Upon completion of the Proposed Acquisition, 351,000,000 Consideration Shares will be issued and allotted to the Vendors. As a result, the total issued share capital of the Company will be enlarged and net asset value of the Company and net asset value per Share will be increased.

(b) Earnings

The Group recorded an audited consolidated loss attributable to Shareholders of approximately HK$5,708,000 for the year ended 31 March 2006. Autoscale recorded an audited net loss attributable to shareholders of approximately HK$20,000 for the year ended 30 September 2006. Given the future prospects of the UPMG Group as detailed under the section headed "Information on the UPMG Group" in the Board Letter, the Directors believe that most of the current VIP Centres of the UPMG Group has passed the set-up period and will start to generate positive cashflow. The Proposed Acquisition is expected to have an encouraging impact on the earnings potential of the Group and the Enlarged Group looks forward to business opportunities in the healthcare sector in the PRC. Should the Company be able to turn around to a profit position, Independent Shareholders would share the benefit to enjoy the earnings per Share.

Upon completion of the Proposed Acquisition, the Enlarged Group, on a consolidated basis, be entitled to account for 56% of the earnings/ loss of Autoscale.

(c) Liabilities

Since Autoscale has minimal current liabilities, no long-term liabilities and no bank borrowings as at 30 September 2006, the liabilities of the Enlarged Group upon completion of the Proposed Acquisition will not be materially adversely affected. Total liabilities of the Group as at 30 September 2006 were approximately HK$83.16 million whereas the unaudited pro forma consolidated total liabilities of the Enlarged Group are approximately HK$84.62 million. On a per Share basis, the unaudited pro forma consolidated total liabilities of the Enlarged Group will decrease from the total liabilities per Share as at 30 September 2006.

Having considered the benefits of improving the net asset value per Share and net asset value of the Group, potential impact on the earnings potential of the Group, immaterial impact on the liabilities of the Group and substantial reduction of total liabilities per Share upon completion of the Proposed Acquisition, we consider that the Proposed Acquisition is fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

B. THE PLACING

The Placing Agent has conditionally agreed to place not more than 100,000,000 Placing Shares on a best effort basis during the period from the date of the Placing Agreement up to the fifth business day from the date of the Placing Agreement, i.e. 12 March 2007. The Placing Agent has confirmed that all of the 100,000,000 Share have been placed by 12 March 2007. Amongst other things, the Placing is subject to the approval of the Placing Agreement and the grant of a specific mandate for the issue and allotment of the Placing Shares under a specific mandate by the Independent Shareholders at the SGM.

I. Reasons for and use of proceeds of the Placing

With the favourable prevailing market conditions, the Directors consider that it is a good time to raise additional capital for further expansion of the Group, when the Group identifies appropriate business opportunities in the future.

The gross proceeds of the Placing will amount to approximately HK$16.80 million. After deducting relevant expenses, the net proceeds of about HK$15.3 million from the Placing will be used to finance future business opportunities in information technology, such as smart hospital solution and smart hotel solution, healthcare and medical services and ancillary services and for working capital purposes.

II. Placing Price

Although the Placing Shares will be issued under a specific mandate, the Placing Price represents a discount of less than 20% to the benchmarked price of the Shares, which essentially is the higher of: (a) the closing price of the Shares on the Last Trading Day; and (b) the average closing price for the last 5 trading days up to and including the Last Trading Day, as required for placing of securities pursuant to a general mandate given under Rule 17.41(2) of the GEM Listing Rules. The Placing Price represents a discount of approximately 18.45% to the benchmarked price of HK$0.206 per Share, i.e. less than the maximum discount of 20%.

Given that:

(i) the Placing Price equals the Issue Price; and

(ii) the Placing Price is within the maximum discount to the benchmarked price as required for placing of securities pursuant to a general mandate though the Placing Shares will be issued under a specific mandate,

we consider that the Placing Price is fair and reasonable so far as the interests of the Company and the Independent Shareholders are considered.

III. Financial effects of the Placing

(i) Working capital

The Group's capital base will be strengthened upon the issue of the Placing Shares. The working capital position of the Group will also be improved as a result of the increase in its cash and bank balances from the aggregate net proceeds of approximately HK$15.3 million from the issue of the Placing Shares.

(ii) Net assets

Upon issue of the Placing Shares, the consolidated net assets of the Group will be increased by approximately HK$15.3 million, being the amount of the net proceeds of the Placing Shares while the consolidated net asset per Share will also be increased due to consequence of the Placing Price being set at a premium to the net asset value per Share.

(iii) Gearing ratio

Gearing ratio (calculated as the aggregate of the Group's bank and other borrowings divided by net asset value) has been commonly used to assess the financial effects on companies by different events. The Group's gearing ratio was approximately 64.75% as at 30 September 2006. As a result of the increase in the net asset value of the Group upon issue of the Placing Shares, the Company's gearing ratio will be reduced. We consider the reduced gearing ratio provides the Company with more financial flexibility and hence is in the interests of the Company and the Shareholders.

Having considered the benefits of improving the consolidated net assets, net asset value per Share and the gearing ratio and the increase in working capital upon issue of the Placing Shares, we consider that the Placing is fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

IV. Potential dilution effect on the shareholding interests of the Independent Shareholders by the Proposed Acquisition and the Placing

Based on the shareholding structure of the Company as set out in the Board Letter, as at the Latest Practicable Date, 329,813,000 Shares were held by public Shareholders, representing approximately 76.69% of the issued share capital of the Company. Immediately after completion of the Proposed Acquisition and issue of the Consideration Shares but assuming no issue of the Placing Shares, the public Shareholders will still hold 329,813,000 Shares, representing approximately 42.23% of the enlarged issued share capital of the Company with the addition of 351,000,000 Consideration Shares to be issued to the Vendors upon completion of the Proposed Acquisition to the total number of outstanding Shares of the Company. Immediately after completion of the Proposed Acquisition and issue of the Consideration Shares and the Placing Shares, the number of Shares held by the public Shareholders remains at 329,813,000, but their shareholdings in the Company will decrease to approximately 37.43% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Placing Shares since, as the total number of issued Shares will be further increased by a total of 100,000,000 Placing Shares.

Having considered that:

(a) upon completion of the Proposed Acquisition, the Company could effectively control the 6,000 Ordinary Shares held by Autoscale at the price of US$1,260 per Ordinary Share, representing a discount of approximately 11.76% to the minimum issue price of new Ordinary Shares of US$1,428 per Ordinary Share;

(b) the price-to-book ratio for the Proposed Acquisition of approximately 6.62 times was at a level similar to the valuations of the Industry Comparables;

(c) the Issue Price of HK$0.168 per Share represents premium over the closing prices of the Shares for 227 out of 248 trading days during the Pre-Announcement Period;

(d) the Last Day Discount falls within the range of discounts represented by the Consideration Shares Comparables on the relevant last trading days, which ranges between discounts of 5.66% and 98.41% and is less than the average discount of approximately 33.96% represented by the issue price of the Consideration Shares Comparables to the closing price on the relevant last trading days;

(e) the 5-Day Discount falls within the range of discounts represented by the Consideration Shares Comparables on the relevant last 5 trading days, which ranges between discounts of 0.99% and 98.28% and is less than the average discount of approximately 29.32% represented by the issue price of the Consideration Shares Comparables to the closing price on the relevant last 5 trading days;

(f) the 10-Day Discount falls within the range of discounts represented by the Consideration Shares Comparables on the relevant last 10 trading days, which ranges between discounts of 0.5% and 98.18% and is less than the average discount of approximately 31.73% represented by the issue price of the Consideration Shares Comparables to the closing price on the relevant last 10 trading days;

(g) the price-to-book ratio of 6.62 times of the Proposed Acquisition falls within the range of the price-to-book ratios of the Consideration Share Comparables between approximately 0.37 times and approximately 31.95 times;

(h) the benefits of improving the net asset value per Share and net asset value of the Group, potential impact on the earnings potential of the Group, immaterial impact on the liabilities of the Group and substantial reduction of total liabilities per Share upon completion of the Proposed Acquisition;

(i) the Placing Price equals the Issue Price;

(j) the Placing Price is within the maximum discount to the benchmarked price as required for placing of securities pursuant to a general mandate though the Placing Shares will be issued under a specific mandate; and

(k) the benefits of improving the consolidated net assets, net asset value per Share and the gearing ratio and the increase in working capital upon issue of the Placing Shares,

we are of the view that the benefits of the Proposed Acquisition and the Placing outweigh the dilution effect on the shareholding held by the public Shareholders in the Company as created by the issue of the Consideration Shares and the Placing Shares, we consider that such dilution effect to public Shareholders is acceptable so far as the Independent Shareholders are concerned.

V. Recommendations

Taking into consideration of the above mentioned principal factors and reasons, we consider that, on balance, the terms of the Proposed Acquisition and the Placing are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Acquisition and the Placing are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Sale and Purchase Agreement were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the Proposed Acquisition and the Placing.

C. THE WHITEWASH WAIVER

Upon completion of the Proposed Acquisition and the Placing, the Vendors, together with parties acting in concert with them will hold approximately 51.22% of the issued share capital of the Company as enlarged by the Consideration Shares and the Placing Shares. There were no dealings in the Shares by the Vendors and parties acting in concert with them for the past 6 months prior to 6 March 2007, being the date of the Announcement up to and including the Latest Practicable Date. Under Rule 26 of the Takeovers Code, in absence of the Whitewash Waiver, the Vendors should be obliged to make a mandatory general offer to acquire all the Shares other than those already owned by the Vendors and parties acting in concert with them. However, the Vendors have applied to the Executive for the Whitewash Waiver under Note 1 on dispensations from Rule 26 of the Takeovers Code and the Executive has indicated that subject to the approval of the Whitewash Waiver by the Independent Shareholders at the SGM by way of a poll, the Executive will waive the obligation of the Vendors and parties acting in concert with them to make a general offer which might result from the Proposed Acquisition. As stated in the Board Letter, the Proposed Acquisition is conditional upon, among other things, the Executive granting the Whitewash Waiver to the Vendors and parties acting concert with them.

Based on our analysis of the terms and conditions of the Proposed Acquisition as set out above, we consider that the Proposed Acquisition is in the interests of the Company and the Independent Shareholders taken as a whole. If the Whitewash Waiver is not granted by the Executive or if the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Proposed Acquisition will not proceed and the Company will lose all the benefits that are expected to be brought by the completion of the Proposed Acquisition. Accordingly, we are of the opinion that for the purpose of implementing the Proposed Acquisition as discussed above, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

Independent Shareholders should note if the Whitewash Waiver is granted to the Vendors and parties acting in concert with them, upon completion of the Proposed Acquisition and the Placing, the Vendors will hold more that 50% of the then issued share capital of the Company, the Vendors may purchase for additional Shares without triggering any further obligation for a general offer under the Takeovers Code.

Recommendation

We consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Whitewash Waiver and the issue of the Consideration Shares.

D. REFRESHMENT OF ISSUE MANDATE

As at the Latest Practicable Date, the Directors may issue and allot only a further 15,000 new Shares under the General Mandate. In order to maintain the financial flexibility necessary for the Group's future business development, the Directors therefore propose to seek the approval of the Independent Shareholders at the SGM for the refreshment of the general mandate to issue new Shares.

The Company had an aggregate of 430,075,000 Shares in issue as at the Latest Practicable Date. On the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the General Mandate to allot and issue up to 86,015,000 Shares representing 20% of the share capital of the Company in issue on the date of SGM.

I. Reasons for the refreshment of the General Mandate to issue new Shares

The Directors consider that equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. The Company entered into the Placing Agreement for the Placing on 5 March 2007 and while the Board considers that there is no other immediate funding need for the Group's current operations and that there is currently no concrete proposal presented by potential investors for investment in Shares, the Board proposes to seek approval of the Independent Shareholders at the SGM of the refreshment of the general mandate to issue new Shares such that should future funding needs arise or attractive terms for investment in Shares become available from potential investors, the Board will be able to respond to the market and such investment opportunities promptly.

II. Flexibility in financing alternatives

Given the General Mandate have almost been fully utilised, may any investment opportunities arise that would lead to issuance of new Shares, a specific mandate may have to be sought in this respect, the Directors are uncertain as to whether the requisite approval from the Independent Shareholders could be obtained in a timely manner. In addition, the refreshed general mandate offers an opportunity for the Directors to capture a favourable equity market condition to raise funds by issuing new Shares.

Notwithstanding the fact that (save for the issue of the Placing Shares) the Group had no immediate funding need for its current operations and there is currently no concrete proposal presented by potential investors for investment in Shares, the Directors believe that the refreshment of the general mandate to issue new Shares would offer the Group higher flexibility to capture investment opportunities which may arise at any time and require prompt investment decision by the Group. The Directors also consider that the refreshed general mandate would provide the Company with the maximum flexibility to raise additional capital for any future investment or as working capital of the Group.

In light of the above, we are of the opinion that the refreshed general mandate would provide the Company with the necessary flexibility essential for fulfilling any possible funding needs for future business development and/or investment decisions in a timely manner. As such, we are of the view that the refreshment of the general mandate to issue new Shares will be in the interest of the Company and the Independent Shareholders as a whole.

III. Potential dilution to shareholdings of the Independent Shareholders

Set out below is a table showing (i) the shareholdings of the Company as at the Latest Practicable Date; (ii) the potential dilution effect upon the completion of the Proposed Acquisition and the Placing; (iii) for illustrative purpose, the potential dilution effect upon full utilisation of the refreshed general mandate, assuming no other Shares are issued or repurchased by the Company and before completion of the Proposed Acquisition and the Placing (since the respective completions of the Proposed Acquisition and the Placing are currently expected not to be on but would be after the date of the SGM); and (iv) the potential dilution effect upon the completion of the Proposed Acquisition and the Placing and upon full utilisation of the refreshed general mandate.

	(i) As at the Latest Practicable Date		(ii) Upon completion of the Proposed Acquisition and the Placing		(iii) Upon full utilisation of the refreshed general mandate		(iv) Upon the completion of the Proposed Acquisition and the Placing and full utilisation of the refreshed general mandate	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Aggregate interest of the Vendors and parties acting in concert with them	100,262,000	23.31	451,262,000	51.22	100,262,000	19.43	451,262,000	46.66
Independent Shareholders	329,813,000	76.69	429,813,000	48.78	329,813,000	63.90	329,813,000	34.10
Placees	–	0	–	0	–	0	100,000,000	10.34
Shares issued under the Issue Mandate	–	0	–	0	86,015,000	16.67	86,015,000	8.90
Total	430,075,000	100	881,075,0000	100	516,090,000	100	967,090,000	100

As illustrated in the table above, assuming no other Shares are issued and/or repurchased by the Company and before completion of the Proposed Acquisition and the Placing, the aggregate shareholding of the existing Independent Shareholders will decrease from approximately 76.69% to approximately 63.90% upon full utilisation of the refreshed general mandate. Taking into account the benefits of the refreshment of the general mandate to issue new Shares as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution of shareholding to be reasonable. The Company confirms that there will not be any substantial Shareholder as a result of the Placing. Consequently upon completion of the Proposed Acquisition and the Placing and full utilisation of the refreshed general mandate, there will be sufficient public float of the Company at approximately 53.34%.

IV. Recommendation

Having considered the factors and reasons as stated above, we are of the view that the refreshment of the general mandate to issue new Shares is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution in relation to the refreshment of the general mandate to issue new Shares to be proposed at the SGM. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the refreshed general mandate is utilised.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Managing Director	*Director*

1. SHARE CAPITAL

(a) Authorised and issued capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Proposed Acquisition and the Placing are as follows:

		HK$
Authorised:		
5,000,000,000	shares of HK$0.02 each	100,000,000
Issued and fully paid:		
430,075,000	shares of HK$0.02 each as at the Latest Practicable Date	8,601,500
351,000,000	shares of HK$0.02 each to be issued under the Proposed Acquisition	7,020,000
100,000,000	shares of HK$0.02 each to be issued under the Placing	2,000,000
881,075,000	shares of HK$0.02 each	17,621,500

All issued Shares, the Consideration Shares and Shares to be issued and allotted under the Placing will rank pari passu in all respect as regards to rights to dividends, voting and return of capital.

No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed or dealt in on any other stock exchange.

Since 31 March 2006 (being the date to which the latest published audited accounts of the Company were made up), the Company has only issued a total of 95,000,000 Shares pursuant to two placing of new Shares and a subscription of new Shares as stated in the announcements made by the Company dated 23 May 2006 and 16 November 2006 respectively.

(b) Share options

As at the Latest Practicable Date, there were 33,660,000 options outstanding (as at 31 December 2006) under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. Details of the 33,660,000 options are set out below:

Pre-IPO Share Option Scheme

Grantee	Date of Grant	Number of underlying Shares in respect of options outstanding as at the Latest Practicable Date	Exercise period	Exercise price per Share
Ms. Y.Y. Wong	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	HK$ 0.28
Mr. Wong Kwok Sing	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	HK$ 0.28
Mr. Robert Wong	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	HK$ 0.28
Mr. Lam Shiu San	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	HK$ 0.28
Total		9,600,000		
Other employees	5 July 2002	12,720,000	6 January 2004 to 5 January 2014	HK$ 0.220
Total		22,320,000		

Pre-IPO Share Option Scheme

Grantee	Date of Grant	Number of underlying Shares in respect of options outstanding as at the Latest Practicable Date	Exercise period	Exercise price per Share
Ms. Y.Y. Wong	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	HK$ 0.220
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	HK$ 0.114
Mr. Wong Kwok Sing	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	HK$ 0.220
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	HK$ 0.114
Mr. Robert Wong	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	HK$ 0.220
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	HK$ 0.114
Mr. Lam Shiu San	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	HK$ 0.220
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	HK$ 0.114
Total		21,114,000		
Other employees	6 January 2004	7,146,000	6 January 2004 to 5 January 2014	HK$ 0.220
	20 September 2005	5,400,000	20 September 2005 to 19 September 2015	HK$ 0.114
Total		33,660,000		

Notes:

1. Ms. Y.Y. Wong (Chairman), Mr. Robert Wong (Deputy Chairman), Mr. Wong Kwok Sing and Mr. Lam Shiu San are executive Directors of the Company

As at the Latest Practicable Date, the number of underlying Shares in respect of the above 33,660,000 options represented approximately 7.83% of the total existing issued share capital of the Company.

(c) Convertible notes

As at the Latest Practicable Date, the outstanding principal amount of the 2008 Convertible Notes is HK$6,300,000 convertible into 63,000,000 Shares, representing approximately 14.65% of the total existing issued share capital of the Company.

Save as disclosed above, the Company did not have any warrants, options, derivatives or securities convertible into the Shares as at the Latest Practicable Date.

Save as disclosed in the paragraph headed "Effect of shareholding structure" in the Letter from the Board in this circular, none of the Directors (including all the independent non-executive Directors) and/or their respective associates have any shareholdings in the Company.

2. SUMMARY OF FINANCIAL INFORMATION

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

Results

	For the year ended 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)*	
Turnover	90,955	78,716	30,440
Cost of sales	(69,669)	(56,282)	(7,031)
Gross profit	21,286	22,434	23,409
Other revenue	1,108	416	139
Research and development expenses	–	(872)	(94)
Marketing and promotion expenses	(1,406)	(1,213)	(4,226)
Administrative expenses	(19,615)	(8,995)	(11,59)
Profit from operations	1,373	11,770	7,969
Share of losses of associates	(586)	(272)	287
Share of losses of jointly controlled entities	–	(89)	–
(Loss)/profit attributable to shareholders	(5,708)	5,661	4,324
Dividends	–	–	–
(Loss)/earnings per share			
– Basic	(1.94 cents)	2.23 cents	0.90 cents

Asset and liabilities

	As at 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Total assets	133,791	140,072	101,616
Total liabilities	(81,218)	(93,740)	(65,086)
Total equity	52,573	46,332	36,530

For the three years ended 31 March 2006, the auditors report of the Company were not qualified. No extraordinary items, exceptional items or minority interest were recorded during each of the three financial years ended 31 March 2004, 31 March 2005 and 31 March 2006.

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following are the audited financial statements of the Group for the three years ended 31 March 2006 with accompanying notes as extracted from the 2005/06 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the three years ended 31 March 2006

	Note	**2006** *HK$'000*	**2005** *HK$'000* (restated)*	**2004** *HK$'000*
Turnover	7	90,955	78,716	30,440
Cost of sales		(69,669)	(56,282)	(7,031)
Gross profit		21,286	22,434	23,409
Other revenue	8	1,108	416	139
Research and development expenses		–	(872)	(94)
Marketing and promotion expenses		(1,406)	(1,213)	(4,226)
Administrative expenses		(19,615)	(8,995)	(11,259)
Profit from operations		1,373	11,770	7,969
Finance costs	9(a)	(5,759)	(4,241)	(2,173)
Share of losses of associates		(586)	(272)	287
Share of losses of jointly controlled entities		–	(89)	–
(Loss)/profit from ordinary activities before income tax	9	(4,792)	7,168	6,083
Income tax	10	(736)	(1,507)	(1,759)
(Loss)/profit attributable to equity holders		(5,708)	5,661	4,324
(Loss)/earnings per share				
– Basic (HK cents)	13(a)	(1.94)	2.23	0.90
– Diluted (HK cents)	13(b)	N/A	N/A	0.86

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

CONSOLIDATED BALANCE SHEET

	Note	2006 HK$'000	2005 HK$'000 (restated)*	2004 HK$'000
Non-current assets				
Property, plant and equipment	14	9,374	5,492	4,592
Prepaid lease payments	15	5,768	–	–
Intangible assets	16	25,760	26,005	18,107
Interest in associates	18	5,237	5,823	6,095
Interest in jointly controlled entities	19	–	78	–
		46,139	37,398	28,794
Current assets				
Inventories	20	8,918	14,116	18,377
Accounts receivable	21	39,894	31,967	7,600
Prepayments, deposits and other receivables		4,475	8,497	9,442
Amounts due from customers		8,520	6,590	4,340
Pledged deposits	22	25,000	40,000	20,170
Cash and cash equivalents	23	845	1,504	12,883
		87,652	102,674	72,822
Current liabilities				
Bank loans and overdrafts	24	30,862	43,240	34,744
Trade payables, accrued expenses and other payables	25	12,498	10,408	4,508
Bills payable	26	4,966	14,309	2,432
Amounts due to directors		7,349	5,828	602
Obligations under finance leases	27	814	5,489	6,627
Current taxation	29(a)	1,242	953	1,257
Convertible notes	30	8,996	–	–
		66,727	80,227	51,104
Net current assets		20,925	22,447	21,718
Total assets less current liabilities		67,064	59,845	50,512

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	2006 HK$'000	2005 HK$'000 (restated)*	2004 HK$'000
Non-current liabilities				
Bank loans	24	3,932	750	2,250
Convertible notes	30	6,060	8,429	8,220
Deferred taxation	29(b)	4,499	4,334	3,512
		14,491	13,513	13,982
NET ASSETS		52,573	46,332	36,530
CAPITAL AND RESERVES				
Share capital	31	6,702	5,450	4,900
Reserves	33(a)	45,871	40,882	31,630
		52,573	46,332	36,530

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

BALANCE SHEET

	Note	2006	2005	2004
		HK$'000	*HK$'000*	*HK$'000*
			(restated)*	
Non-current assets				
Interest in subsidiaries	17	5,925	5,925	5,925
Interest in associates	18	978	978	978
		6,903	6,903	6,903
Current assets				
Prepayments and other receivables		310	606	1,499
Amounts due from subsidiaries		38,639	28,569	24,109
Amount due from an associate		4	4	–
Pledged deposits	22	10,000	10,000	–
Cash and cash equivalents	23	–	2	10,015
		48,953	39,181	35,623
Current liabilities				
Bank loans and overdrafts	24	11,579	13,537	12,717
Accrued expenses and other payables		1,515	1,148	1,074
Amount due to a subsidiary		90	90	–
Amounts due to directors		226	238	525
Convertible notes	30	8,996	–	–
		22,406	15,013	14,316
Net current assets		26,547	24,168	21,307
Total assets less current liabilities		33,450	31,071	28,210
Non-current liabilities				
Bank loans	24	–	750	2,250
Convertible notes	30	6,060	8,429	8,220
		6,060	9,179	10,470
NET ASSETS		27,390	21,892	17,740
CAPITAL AND RESERVES				
Share capital	31	6,702	5,450	4,900
Reserves	33(b)	20,688	16,442	12,840
		27,390	21,892	17,740

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company							
	Share capital HK'000	Share premium HK'000	Employee compensation reserve HK'000	Convertible notes reserve HK'000	Contributed surplus HK'000	Capital redemption reserve HK'000	Retained profits HK'000	Total HK'000
At 1 April 2004, as originally stated	4,900	12,068	–	–	5,625	43	13,894	36,530
Effects of changes in accounting policies *(note 3)*	–	–	–	282	–	–	7	289
At 1 April 2004, as restated	4,900	12,068	–	282	5,625	43	13,901	36,819
Profit for the year, as restated	–	–	–	–	–	–	5,661	5,661
Total recognised income and expenses for the year	–	–	–	–	–	–	5,661	5,661
Issuance of shares	550	3,465	–	–	–	–	–	4,015
Shares issuance costs	–	(163)	–	–	–	–	–	(163)
	550	3,302	–	–	–	–	–	3,852
At 31 March 2005	5,450	15,370	–	282	5,625	43	19,562	46,332
At 1 April 2005, as originally stated	5,450	15,370	–	–	5,625	43	19,613	46,101
Effects of changes in accounting policies *(note 3)*	–	–	–	282	–	–	(51)	231
At 1 April 2005, as restated	5,450	15,370	–	282	5,625	43	19,562	46,332
Loss for the year	–	–	–	–	–	–	(5,708)	(5,708)
Total recognised income and expenses for the year	–	–	–	–	–	–	(5,708)	(5,708)
Issuance of shares and exercising options	1,252	8,170	–	–	–	–	–	9,422
Shares issuance costs	–	(93)	–	–	–	–	–	(93)
Transfer to share premium upon exercise of share options	–	998	(998)	–	–	–	–	–
Recognition of equity component of convertible notes net of transaction cost	–	–	–	160	–	–	–	160
Recognition of share-based payment as expenses	–	–	2,460	–	–	–	–	2,460
	1,252	9,075	1,462	160	–	–	–	11,949
At 31 March 2006	6,702	24,445	1,462	442	5,625	43	13,854	52,573

CONSOLIDATED CASH FLOW STATEMENT

	Note	2006 HK$'000	2005 HK$'000 (restated)*	2004 HK$'000
Operating activities				
(Loss)/profit from ordinary activities before income tax		(4,972)	7,168	6,083
Adjustments for:				
– Depreciation and amortisation		10,204	7,389	5,165
– Release of prepaid lease payment		2	–	–
– Allowance for inventories		1,201	2,397	–
– Share of losses of jointly controlled entities		–	89	–
– Share of losses of associates		586	272	(287)
– Interest income		(821)	(343)	(139)
– Share-based payments		2,460	–	–
– Property, plant and equipment written off		476	17	–
– Intangible assets written off		5,047	–	–
– Interest expense		5,759	4,241	2,173
Operating profit before changes in working capital		19,942	21,230	12,995
Decrease in inventories		7,797	12,024	(5,709)
Increase in accounts receivable		(7,849)	(24,354)	6,448
Decrease in prepayments, deposits and other receivables		4,022	346	(2,534)
Increase in amounts due from customers		(1,930)	(2,250)	(2,280)
Increase in amounts due to directors		1,821	5,226	299
Increase in amounts due from associates		–	(171)	(4)
Decrease in amount due from a jointly controlled entity		–	1	(6)
Increase in amount due from a related party		–	(934)	200
(Decrease)/Increase in bills payables, other payables and accrued expenses		(8,102)	17,777	3,240
Cash generated from operations		15,701	28,895	13,409
Hong Kong profits tax paid		(282)	(989)	–
Net cash from operating activities		15,419	27,906	13,409

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

	Note	**2006** *HK$'000*	**2005** *HK$'000* (restated)*	**2004** *HK$'000*
Investing activities				
Interest received		821	343	139
Decrease/(increase) in pledged deposits		15,000	(19,830)	(16,670)
Payment for purchase of property, plant and equipment		(6,134)	(751)	(3,558)
Payment for purchase of intangible assets		(13,230)	(13,960)	(8,184)
Payment for prepaid lease payments		(5,770)	–	(5,898)
Payment for interest in associate		–	–	–
Net cash used in investing activities		(9,313)	(34,198)	(27,671)
Financing activities				
Capital element of finance lease rentals paid		(8,475)	(12,791)	(4,341)
Net proceeds from issuance of new shares		9,097	3,852	–
Interest paid		(4,237)	(2,483)	(1,821)
Proceeds from issuance of convertible notes, net of transaction costs		6,130	–	8,000
Proceeds from new bank loans		5,325	17,135	14,032
Repayment of bank loans		(10,229)	(10,207)	(11,755)
Proceeds from shares issued under share option scheme		232	–	1,568
Interest element of finance lease rentals paid		(316)	(661)	(352)
Net cash used in financing activities		(2,473)	(5,155)	4,705
Net increase/(decrease) in cash and cash equivalents		3,633	(11,447)	(9,557)
Cash and cash equivalents at 1 April		(21,526)	(10,079)	(522)
Cash and cash equivalents at 31 March	23	(17,893)	(21,526)	(10,079)

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

Notes to Financial Statements

For the year ended 31 March 2006

1 CORPORATE INFORMATION

Inno-Tech Holdings Limited (the "Company") was incorporated in Bermuda on 19 November 2001 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited, (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong, respectively.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 17.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN ACCOUNTING POLICIES

In the current year, the Company and its subsidiaries (collectively "the Group") has applied, for the first time, all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The changes in presentation have been applied retrospectively. The application of these new and revised Standards and Interpretations have resulted in changes to the Group's accounting policies in the following areas.

Share-based payments

In the current year, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transaction") and liabilities for cash-settled share-based payments to be recognised at the current fair value at each balance sheet date. The principal impact of HKFRS 2 under the previous policy results in a reduction in profit as such items have not been recognised as expenses. Prior to the adoption of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. The Group has no share options that were granted after 7 November 2002 and had not yet vested before 1 January 2005.

The financial impact on adoption of HKFRS 2 has been disclosed in Note 3.

Convertible notes

The principal impact of Hong Kong Accounting Standard ("HKAS") 32 Financial Instruments: Disclosure and Presentation on the Group is in relation to convertible notes issued by the Company (see note 30). HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method.

The financial impact on adoption of HKAS 32 has been disclosed in Note 3.

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Recognition of share based payments as expenses on adoption of HKFRS 2	(2,460)	–
Increase in finance costs on convertible notes on adoption of HKAS 32	(167)	(58)
Decrease in profit for the year	(2,627)	(58)

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the application of the new HKFRSs on 31 March 2005 and 1 April 2005 on the consolidated balance sheet are summarised below:

	As at 31 March 2005 *HK$'000* (originally stated)	Retrospective adjustments HKAS 32 convertible notes *HK$'000*	As at 1 April 2005 *HK$'000* (restated)
Balance sheet items			
Convertible notes	8,660	(231)	8,429
Retained profits	19,613	(51)	19,562
Convertible notes reserve	–	282	282

The financial effects of the application of the new HKFRSs to the Group's equity on 31 March 2004 and 1 April 2004 are summarised below:

	As at 31 March 2004 *HK$'000* (originally stated)	Retrospective adjustments HKAS 32 convertible notes *HK$'000*	As at 1 April 2004 *HK$'000* (restated)
Retained profits	13,894	7	13,901
Convertible notes reserve	–	282	282

The Group has not early applied the following new Standards and Interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new Standards and Interpretations. The management determined that it is not yet in a position to reasonably ascertain how the following amendment may affect the results of operations and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	The effects of change in foreign exchange rate –net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transaction [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosure [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006
5 Effective for annual periods beginning on or after 1 May 2006
6 Effective for annual periods beginning on or after 1 June 2006

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Group's business activities are conducted in the context of a developing and changing services sector which is characterised by continuously changing customer demand patterns and rapid technological developments. The Group's results would be adversely affected should the group be unable to successfully anticipate customer demand accurately; manage its product transitions and inventory levels; and distribute its products and services quickly in response to customer demand.

Additionally, the Group's dependence on several IT solution suppliers, exposes the Group to potential product quality issues that could affect the reliability and performance of the Group's products and solutions.

The Group has banking facilities of short-term bank loans and overdraft totalling HK$64 million, provided by several banks, which were utilised to the extent of approximately HK$36 million at 31 March 2006. The directors have assessed the sufficiency of the existing banking overdraft facilities for the purpose of meeting the Group's future working capital and other financing requirements. The directors believe that these facilities are sufficient and will be extended by the Group's banks for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to secure additional contracts after completion of the current contracts at acceptable operating margin, and sufficient cash being generated from the operations; and the future financing requirements of the Group and the availability of sufficient bank facilities to meet the requirements. The directors are of the opinion that the Group are able to continue as a going concern and to meet the obligations as and when they fall due after taking into account a financial support undertaking received from the management shareholders.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

These financial statements have been prepared in accordance with HKFRSs, which includes all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the GEM of the Stock Exchange.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, as disclosed in Note 6.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March of each year together with the Group's share of the results for the year of its associates and jointly controlled entities.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting 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.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless the transaction provides evidence of an impairment of the asset transferred.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the Shareholders' equity. Minority interests in the results of the group for the year are also separately presented in the income statement.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries *(Continued)*

Where losses attributable to the minority exceeds the minority interest in the net assets of a subsidiary the excess, and any further losses attributable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the group until the minority's share of losses previously absorbed by the group has been recovered.

In the Company's balance sheet, the investments in subsidiaries and amounts due from subsidiaries are stated at cost less any provision for impairment losses (see note 4(h)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associates and jointly controlled entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

An interest in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement reflects the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its interests in associates and jointly controlled entities are stated at cost less provision for impairment losses (see note 4(h)).

(d) Property, plant and equipment

(i) Valuation

Property, plant and equipment are stated in the balance sheets at cost less accumulated depreciation and impairment losses (see note 4(h)).

Subsequent expenditure relating to a property, plant and equipment that has already been recognised is added to the carrying amount of the asset 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 Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

(ii) Depreciation

Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 50 years.

Depreciation is calculated to write off the cost of other property, plant and equipment over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Equipment	5 years
Motor vehicle	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(iii) Disposals

Gains or losses arising from the retirement or disposal of a property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(e) Intangible assets

(i) Valuation

Intangible assets that are acquired by the Group are stated in the balance sheets at cost less accumulated amortisation and impairment losses (see note 4(h)).

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(ii) Amortisation

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives as follows:

Patents and trademarks	5 years
Computer software	5 years

(f) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and inventories and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the property, plant and equipment in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset as set out in note 4(e). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets *(Continued)*

Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following items may be impaired or an impairment loss previously recognised no longer exists or may have been decreased:

– interest in subsidiaries, associates and jointly controlled entities;

– property, plant and equipment; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Account and other receivables

Account and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less impairment losses for bad and doubtful debt.

(j) Service contracts

The accounting policy for contract revenue is set out in note 4(r).

Service contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Amounts due from customers" (as an asset) or "Amounts due to customers" (as a liability). Progress billings not yet paid by the customers are included in the balance sheet under accounts receivable.

(k) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, bank overdrafts which are repayable on demand form an integral part of the company's cash management are included as a component of cash and cash equivalents.

(l) Employee benefits

(i) Short term employee benefits and contribution to defined contribution retirement plans
Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution plans and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Contributions to Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in an employee compensation reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/ credited to the income statement for the year of review, unless the original employees expenses qualify for recognition of an asset, with a corresponding adjustment to the employee compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the employee compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability components of the convertible notes is calculated at 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. An 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 relative carrying amounts at the date of issue.

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

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

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Residential intranet and software application design services

Revenue arising from the provision of residential intranet and software application design services is recognised when the underlying services are rendered, which is estimated by apportionment over the expected duration of each engagement, and the outcome of the contract can be estimated with reasonable certainty.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Interest income

Interest income from bank deposits is recognised on a time-proportion basis using the effective interest method.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research costs are recognised as an expense in the period in which they are incurred. Development costs are recognised as an expense in the period in which they are incurred unless their recovery from closely related revenue or cost savings is probable. Such development costs are deferred and written off over the life of the relevant projects from the date of commencement of commercial operations subject to a maximum of five years.

(s) Borrowing costs

Borrowing costs are expensed in the income statement 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.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange gains and losses are dealt with in the income statement.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(u) 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.

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk and cash flow interest rates risk. The Group's overall risk management programme seek to minimise potential adverse effects on the Group's financial performance and are set out below.

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(b) Liquidity risk

The Group incurred a loss in the current year and was financed by significant bank and other borrowings, obligations under finance leases and convertible notes. The Group's operations are exposed to liquidity risk. Management monitors closely the liquidity position of the Group so as to meet all the financial obligations as and when they fall due. Management will consider to raise fund by ways of issuing debt and equity instruments of the Group.

5 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Foreign currency risk

The Group does not have a significant foreign currency risk exposure arising from its sales and purchases transactions as these transactions are mainly carried out in Hong Kong dollars.

(d) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk on variable-rate bank borrowings. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Allowances for receivables

Significant judgement is exercised in the assessment of the collectibility of accounts receivable from each customer. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment trend including subsequent payments and customers' financial position.

(ii) Valuation of share options

Note 32 contains information about the estimates and assumptions relating to the fair value of share options granted.

7 TURNOVER

Turnover represents the amounts received and receivable for the provision of residential intranet, e-property management software application consulting services and sales of home-automation and other products.

The Group's turnover and operating profit are derived from the design of residential intranet, provision of e-property management software application consulting services and trading of home-automation and other products in Hong Kong. Accordingly, the directors consider the analyses by business and geographical segments are not required.

8 OTHER REVENUE

	2006	**2005**
	HK$'000	*HK$'000*
Interest income	821	343
Sundry income	287	73
	1,108	416

9 (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

(Loss)/profit from ordinary activities before income tax is arrived at after charging:

		2006	2005
		HK$'000	*HK$'000*
			(restated)
(a)	*Finance costs:*		
	Interest on bank loans and overdrafts wholly repayable within five years	3,897	2,483
	Interest on convertible notes (note 30)	1,546	1,097
	Finance charges on obligations under finance leases	316	661
		5,759	4,241
(b)	*Staff costs:*		
	Contributions to defined contribution plan	246	113
	Long service payment	150	–
	Share-based payments	2,460	–
	Salaries, wages and other benefits	7,311	6,183
		10,167	6,296
	Average number of employees	14	15
(c)	*Other items:*		
	Cost of inventories sold	58,120	45,902
	Amortisation of intangible assets	8,428	6,062
	Release of prepaid lease payments	2	–
	Auditors' remuneration	404	240
	Depreciation	1,776	1,327
	Operating lease charges in respect of – office premises	576	533
	Allowances for inventories	1,201	2,397
	Intangible assets written off	5,047	–
	Property, plant and equipment written off	476	17

10 INCOME TAX

		2006	2005
		HK$'000	*HK$'000*
			(restated)
(a)	*Taxation in the consolidated income statement represents:*		
	Current tax		
	Tax for the year – Hong Kong profits tax	504	953
	Under/(over)-provision in respect of prior years	67	(268)
		571	685
	Deferred tax		
	Origination and reversal of temporary differences	165	822
		736	1,507

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

10 INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2006	**2005**
	HK$'000	*HK$'000*
		(restated)
(Loss)/profit before income tax	(4,972)	7,168
Notional tax on (loss)/profit before income tax, calculated at applicable tax rates in the respective countries	(778)	1,254
Tax effect of non-deductible expenses	471	224
Tax effect of non-taxable revenue	(43)	(17)
Tax effect of unused tax losses not recognised	1,019	160
Under-provision of deferred tax in prior years	–	154
Under/(over)-provision of profits tax in prior years	67	(268)
Actual tax expense	736	1,507

The weighted average applicable tax rate was 15.6% (2005: 17.5%).

11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Fees	318	317
Basic salaries, allowances and other benefits	3,615	3,600
Discretionary bonuses	104	––
Share-based payments	996	–
Retirement benefits scheme contribution	48	48
	5,081	3,965
Number of directors	8	7

11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

Directors' remuneration *(Continued)*

The remuneration of directors for the year ended 31 March 2006 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Share-based payments	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Ms. Wong Yuen Yee	–	960	–	249	12	1,221
Mr. Wong Kwok Sing	–	966	53	249	12	1,280
Mr. Wong Yao Wing, Robert	–	960	–	249	12	1,221
Mr. Lam Shiu San	–	729	51	249	12	1,041
Independent non-executive directors						
Ms. Wu Wai Yee, Annis (a)	133	–	–	–	–	133
Mr. Wong Tak Leung, Charles	120	–	–	–	–	120
Ms. Ho Chui Yin, Liwina	60	–	–	–	–	60
Mr. Lai Ying Sum (b)	5	–	–	–	–	5

The remuneration of directors for the year ended 31 March 2005 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Share-based payments	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Ms. Wong Yuen Yee	–	960	–	–	12	972
Mr. Wong Kwok Sing	–	960	–	–	12	972
Mr. Wong Yao Wing, Robert	–	960	–	–	12	972
Mr. Lam Shiu San	–	720	–	–	12	732
Independent non-executive directors						
Ms. Wu Wai Yee, Annis	150	–	–	–	–	150
Mr. Wong Tak Leung, Charles	137	–	–	–	–	137
Ms. Ho Chui Yin, Liwina	30	–	–	–	–	30

Note:

(a) Resigned on 20 February 2006

(b) Appointed on 3 March 2006

11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

Five highest paid individuals

The aggregate of the emoluments in respect of the five highest paid individuals (including directors) is as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	3,903	3,920
Discretionary bonuses	104	–
Share-based payments	1,245	–
Retirement benefits scheme contribution	60	60
	5,312	3,980

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors have waived or agreed to waive any emoluments during the year.

The five individuals whose emoluments were the highest in the Group for the year include four (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individual during the year is as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	288	295
Retirement benefits scheme contribution	12	12
Share-based payments	249	–
Discretionary bonuses	–	25
	549	332

The emoluments fell within the following band:

	Number of individual	
	2006	2005
Emolument band		
HK$Nil – HK$1,000,000	1	1

12 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The consolidated (loss)/profit attributable to equity holders includes a loss of HK$6,451,000 (2005 (restated): profit of HK$11,000) which has been dealt with in the financial statements of the Company.

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the year ended 31 March 2006 is based on the loss attributable to equity holders of HK$5,708,000 (2005 (restated): profit of HK$5,661,000) and on the weighted average of 294,159,110 (2005 (restated): 254,141,667) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share had been presented in 2006 and 2005 as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the year and the convertible notes are anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Furniture and fixtures	Equipment	Motor Vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2004	–	353	278	5,257	–	5,888
Additions	–	–	250	1,994	–	2,244
Write-offs	–	–	–	(134)	–	(134)
At 31 March 2005	–	353	528	7,117	–	7,998
Additions	420	1,424	161	4,109	20	6,134
Write-offs	–	–	–	(1,387)	–	(1,387)
At 31 March 2006	420	1,777	689	9,839	20	12,745
Accumulated depreciation and impairments:						
At 1 April 2004	–	191	142	963	–	1,296
Charge for the year	–	162	97	1,068	–	1,327
Written back on write-offs	–	–	–	(117)	–	(117)
At 31 March 2005	–	353	239	1,914	–	2,506
Charge for the year	2	166	125	1,478	5	1,776
Written back on write-offs	–	–	–	(911)	–	(911)
At 31 March 2006	2	519	364	2,481	5	3,371
Net book value:						
At 31 March 2006	418	1,258	325	7,358	15	9,374
At 31 March 2005	–	–	289	5,203	–	5,492

The Group leases equipment under finance lease expiring within one year. At the end of the lease term, the Group has the option to purchase the property, plant and equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The Group's buildings are located in Hong Kong under long term lease and the Group has pledged buildings having a carrying value of approximately HK$418,000 (2005: HK$Nil) to secure banking facilities granted to the Group.

15 PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent prepaid lease payments on leasehold land and their net carrying value are analysed as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Cost:		
At 1 April	–	–
Additions	5,770	–
At 31 March	5,770	–
Release:		
At 1 April	–	–
Release for the year	2	–
At 31 March	2	–
Net carrying value:		
At 31 March	5,768	–

The Group has pledged the prepaid lease payments on leasehold land with carrying amount of approximately HK$5,768,000 (2005: HK$Nil) to secure banking facilities granted to the Group.

16 INTANGIBLE ASSETS

		The Group	
	Patents and trademarks	**Computer software**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2004	–	24,245	24,245
Additions	4,300	9,660	13,960
At 31 March 2005	4,300	33,905	38,205
Additions	–	13,230	13,230
Written-offs	–	(16,002)	(16,002)
At 31 March 2006	4,300	31,133	35,433
Accumulated amortisation:			
At 1 April 2004	–	6,138	6,138
Charge for the year	119	5,943	6,062
At 31 March 2005	119	12,081	12,200
Charge for the year	287	8,141	8,428
Written back on write-offs	–	(10,955)	(10,955)
At 31 March 2006	406	9,267	9,673
Net book value:			
At 31 March 2006	3,894	21,866	25,760
At 31 March 2005	4,181	21,824	26,005

Amortisation of HK$8,428,000 (2005: HK$6,062,000) is included in the cost of goods sold in the consolidated income statement.

17 INTEREST IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	5,925	5,925

The following list contains the particulars of subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

		Percentage of equity				
Name of company	**Place of incorporation**	**Group's effective holding**	**Held by the Company**	**Held by subsidiary**	**Particulars of issued/ registered capital**	**Principal activity and place of operations**
Cyberliving Holdings Limited	British Virgin Islands ("BVI")	100%	100%	–	14,000 shares of US$1 each	Investment holding in Hong Kong and BVI
Cyberliving (Hong Kong) Co Limited	Hong Kong	100%	–	100%	4 shares of HK$1 each	Leasing of office premises in Hong Kong
Cyberinfo Management Limited	Hong Kong	100%	–	100%	6 shares of HK$1 each	Provision of management and maintenance of network services
Ying Wai Trading Limited	BVI	100%	–	100%	1 share of US$1 each	Investment holding in Hong Kong
Leading Pro Trading Limited	BVI	100%	–	100%	1 share of US$1 each	Investment holding in Hong Kong
Cyberworks Technology Limited	Hong Kong	100%	–	100%	4 shares of HK$1 each	Provision of systems design and integration services
Cyberweb Services Limited	Hong Kong	100%	–	100%	4 shares of HK$1 each	Provision of e-commerce services
New Conqueror Holdings Limited	BVI	100%	–	100%	1 share of US$1 each	Investment holding in the People's Republic of China (the "PRC")
華鹿光通信(深圳)有限公司*	The PRC	100%	–	100%	RMB7,500,000	Dissolved
匯創智能系統(深圳)有限公司*	The PRC	100%	–	100%	HK$1,000,000	Development, production and sales of intelligent automation and control systems in the PRC
Digi Hospital Limited	Hong Kong	55%	–	55%	100 shares of HK$1 each	Trading of SAP software in the PRC

* Wholly owned foreign enterprises established in the PRC not audited by PCP CPA Limited.

18 INTEREST IN ASSOCIATES

	The Group		The Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	978	978
Share of net assets of associates:				
Balance as at 1 April	5,823	6,095	–	–
Share of profits less losses of associates				
– Share of losses before tax	(609)	(272)	–	–
– Share of tax expenses	23	–	–	–
Balance as at 31 March	5,237	5,823	978	978

The particulars of the Company's principal associates, all of which are unlisted and limited liability companies, are set out as follows:

Details of the Group's interest in associates are as follows:

		Percentage of equity				
Name of company	Place of incorporation	Group's effective holding	Held by the Company	Held by subsidiary	Particulars of issued/ registered capital	Principal activity and place of operations
Grace Pond Limited*	Hong Kong	49%	–	49%	1,000 shares of HK$1 each	Provision of software application consultancy services
General Win Limited*	Hong Kong	49%	–	49%	1,000 shares of HK$1 each	Provision of software application consultancy services
Pro-Innovative Holdings Limited*	BVI	49%	49%	–	1,000 shares of US$1 each	Investment holding in Hong Kong

* Companies not audited by PCP CPA Limited

Summary financial information on associates related to the Group's interests:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Assets	11,409	12,545
Liabilities	722	660
Revenues	1,550	1,634
Loss after tax	(1,196)	(555)

19 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group 2006 HK$'000	2005 HK$'000
Share of net assets of jointly controlled entities	–	78

Details of the Group's interest in jointly controlled entities are as follows:

Name of company	Place of incorporation	Percentage of equity: Group's effective holding	Held by the Company	Held by subsidiary	Particulars of issued/ registered capital	Principal activity and place of operations
Molecular Diagnosis Limited*	BVI	50%	–	50%	2 shares of US$1 each	Investment holding in Hong Kong
Parentech China Limited	Hong Kong	50%	–	50%	2 shares of HK$1 each	Distribution of the Nature's Cradle Products in the PRC

* Company not audited by PCP CPA Limited

Summary financial information on jointly controlled entities related to the Group's interests:

	2006 HK$'000	2005 HK$'000
Current liabilities	91	89
Expenses	(2)	(89)
Loss for the year	(2)	(89)

20 INVENTORIES

	The Group 2006 HK$'000	2005 HK$'000
Finished goods	6,624	11,316
Work in progress	139	–
Raw materials	96	–
Spares and consumables	2,059	2,800
	8,918	14,116

The Group leases inventories under finance lease expiring within one year. At the end of the lease term, the Group has the option to purchase the inventories at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. Sales of the inventories under finance lease are subject to prior consent of the lessors.

Included in finished goods are inventories at cost of HK$5,098,000 (2005: HK$2,397,000), stated net of provision, in order to state these inventories at the lower of their cost and estimated net realisable value. As at 31 March 2006, there were inventories at cost of HK$3,902,400 (2005: HK$6,779,000) held under finance leases.

21 ACCOUNTS RECEIVABLE

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Trade receivables	39,795	31,954
Receivable from a jointly controlled entity	86	5
Receivables from associates	13	8
	39,894	31,967

The Group's policy is to allow credit periods of one to three months to its trade customers. The following is an aging analysis of trade receivables at the balance sheet date.

	2006	**2005**
	HK$'000	*HK$'000*
Current	14,979	13,759
Aged over 1 month but less than 3 months	13,285	11,468
Aged over 3 months	11,531	6,727
	39,795	31,954

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

22 PLEDGED DEPOSITS

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits pledged against banking facilities	25,000	40,000	10,000	10,000

The effective interest rate on bank deposits for the Group was 2.29% (2005: 1.15%).

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	845	1,504	–	2
Cash and cash equivalents in the balance sheet	845	1,504	–	2
Bank overdrafts *(note 24)*	(18,738)	(23,030)	(10,830)	(12,037)
Cash and cash equivalents in the consolidated cash flow statement	(17,893)	(21,526)	(10,830)	(12,035)

24 BANK LOANS AND OVERDRAFTS

At 31 March 2006, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank loans	3,932	750	–	750
Current				
Bank overdrafts	18,738	23,030	10,830	12,037
Bank loans	12,124	20,210	749	1,500
	30,862	43,240	11,579	13,537
Total	34,794	43,990	11,579	14,287

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank overdrafts	18,738	23,030	10,830	12,037
Bank loans – secured	16,056	20,960	749	2,250
	34,794	43,990	11,579	14,287

The banking overdraft facility and the bank loans are secured by time deposits of HK$25,000,000 as at 31 March 2006 (2005: HK$40,000,000).

The directors, Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Robert and Mr. Wong Kwok Sing have provided personal guarantee for bank loan and overdraft facilities to the extent of HK$64,300,000 granted to the Group and the Company (2005: HK$58,299,000).

The maturity of borrowings is as follows:

	Bank loans and overdrafts			
	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	30,862	43,240	11,579	13,537
Between 1 and 2 years	115	750	–	750
Between 2 and 5 years	387	–	–	–
Wholly repayable within 5 years	31,364	43,990	11,579	14,287
Over 5 years	3,430	–	–	–

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

	2006	**2005**
Bank overdrafts	7%	5.2%
Bank loans	7.3%	5%

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in Hong Kong dollars.

25 TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Trade payables	540	260
Amount due to a related company	1,493	–
Accrued expenses and other payables	10,465	10,148
	12,498	10,408

At 31 March 2005 and 2006, the aging of the trade payables were over 3 months. The amount due to a related company is non-trade in nature.

26 BILLS PAYABLE

An aging analysis of the bills payable is as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current	–	6,399
Aged over 1 month but less than 3 months	1,953	5,410
Aged over 3 months	3,013	2,500
	4,966	14,309

27 OBLIGATIONS UNDER FINANCE LEASES

	The Group					
	2006			2005		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Interest expense relating to future periods**	**Total minimum lease payments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	814	10	824	5,489	179	5,668
After 1 year but within 2 years	–	–	–	–	–	–
After 2 years but within 5 years	–	–	–	–	–	–
	–	–	–	–	–	–
	814	10	824	5,489	179	5,668

Lease obligations as at 31 March 2006 are secured by property, plant and equipment and inventories with net book value of HK$1,199,000 and HK$1,500,000 respectively.

Under the finance lease agreements, the leased assets are required to situate in Hong Kong or other specified locations. During the year, the leased assets have been moved to locations not permissible in the agreements, which constitutes a breach of the terms and conditions under the agreement. Consequently, the lessors may have the right to demand early repayment of the lease obligation. In the circumstance, the finance lease obligations have been classified as current liabilities in the financial statements.

28 RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. The Group participates in a Mandatory Provident Fund ("MPF"), managed by independently approved MPF trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

29 CURRENT AND DEFERRED TAXATION

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
(a) Current taxation in the consolidated balance sheet represents:		
Provision for Hong Kong Profits Tax for the year	571	953
Balance of Profits Tax provision relating to prior years	671	–
	1,242	953

(b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated depreciation allowances
	HK$'000
Deferred tax liabilities arising from:	
At 1 April 2004	3,512
Charged to consolidated income statement	822
At 31 March 2005	4,334
Charged to consolidated income statement	165
At 31 March 2006	4,499

The Group has not recognised net deferred tax assets in respect of tax losses of HK$1,019,000 (2005: HK$160,000) due to the unpredictability of future profit stream. The tax losses do not expire under current tax legislation.

30 CONVERTIBLE NOTES

(a) HK$8 million Convertible Notes due 2006 (the ”2003 Notes”)

On 24 September 2003, the Company issued 3-year HK$8 million unsecured convertible notes bearing interest at 7.5% per annum payable quarterly in arrears of each year. Subsequent to share consolidation (see Note 31 note (a)), holders of the notes have the option to convert the notes into ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.4, subject to adjustments in accordance with the terms in the instrument constituting the convertible notes, at any time six months after 24 September 2003 up to the maturity date, 24 September 2006. Unless previously redeemed and cancelled, the notes will be redeemed at 116.5% of its principal amount on the maturity date.

(b) HK$6.3 million Convertible Notes due 2008 (the “2005 Notes”)

On 12 August 2005, the Company issued 3-year HK$6.3 million unsecured convertible notes bearing interest at 7.5% per annum payable quarterly in arrears of each year. Subsequent to a share consolidation during the year (see Note 31 note (a)), holders of the notes have the option to convert the notes into ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.1, subject to adjustments in accordance with the instrument constituting the convertible notes, at any time nine months after 12 August 2005 up to the third business day before the maturity date, 7 August 2008. Unless previously redeemed and cancelled, the notes will be redeemed at par on the maturity date.

During the year, none of the convertible notes holders exercised their rights of conversion into the Company’s ordinary shares.

The net proceeds received from the issue of the convertible notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group as follows:

	The Group and the Company	
	2006	**2005**
	HK$’000	*HK$’000*
		(restated)
Liability component at the beginning of the year	8,429	7,931
Nominal value of convertible notes issued, net of transaction costs	6,130	–
Equity component	(160)	–
Liability component at date of issue	5,970	–
Interest charged	1,546	1,097
Interest paid	(889)	(599)
Liability component at the end of the year	15,056	8,429
Less: Amount due within one year shown under current liabilities	(8,996)	–
Amount due after one year	6,060	8,429

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 13.5% and 8.5% to the liability components of the 2003 Notes and 2005 Notes respectively.

The directors estimate the fair values of the liability components of the convertible notes at 31 March 2006 to be approximately their carrying values.

31 SHARE CAPITAL

	2006		2005	
	Number of shares ('000)	Nominal value HK$'000	Number of shares ('000)	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
Beginning of the year	10,000,000	100,000	10,000,000	100,000
Ordinary shares of HK$0.02 each				
Effect of increase in nomina value of shares from HK$0.01 each to HK$0.02 each *(note a)*	(5,000,000)	–	–	–
End of year	5,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
Beginning of the year	544,950	5,450	489,950	4,900
Shares issued under share option scheme	15,400	154	–	–
Issuance of shares *(note b)*	42,000	420	55,000	550
	602,350	6,024	544,950	5,450
Ordinary shares of HK$0.02 each				
Effect of increase in nominal value of shares from HK$0.01 each to HK$0.02 each *(note a)*	(301,175)	–	–	–
	301,175	6,024	544,950	5,450
Shares issued under share option scheme	3,900	78	–	–
Issuance of shares *(note b)*	30,000	600	–	–
End of year	335,075	6,702	544,950	5,450

Note:

(a) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 6 February 2006, every two issued and unissued shares of HK$0.01 each were consolidated into one new share of HK$0.02 with effect from 7 February 2006.

Following the share consolidation becoming effective on 7 February 2006, the authorised share capital of the Company is HK$100,000,000 divided into 5,000,000,000 shares of HK$0.02 each, of which 301,175,000 shares were in issue and fully paid. The shares after the share consolidation rank pari passu in all respects with each other.

(b) On 21 April 2005, the Company allotted and issued 42,000,000 shares of the Company of HK$0.05 each at consideration of HK$2,100,000. The excess of the aggregate cash consideration over the nominal value of shares of HK$1,680,000 was credited to the share premium account of the Company.

On 22 March 2006, the Company allotted and issued 30,000,000 shares of the Company of HK$0.20 each at consideration of HK$6,000,000. The excess of the aggregate cash consideration over the nominal value of shares of HK$5,400,000 was credited to the share premium account of the Company.

All new ordinary shares issued during the year rank pari passu in all respects with the existing shares.

32 SHARE OPTION SCHEMES

The Company adopted a share option scheme on 5 July 2002 whereby any employees (whether or not full-time or part-time) and any consultant or adviser who, at the sole discretion of the board, subject to the terms of the share option scheme, contributed to the Group, may be granted options to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the schemes must not exceed 10% of the shares in issue.

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO option scheme adopted by the Company on 5 July 2002 (the "Pre-IPO Share Option Scheme"), the principal terms of which were set out in the Prospectus, options were granted to the grantees to subscribe for shares in the Company

The following share options with an exercise period from 5 July 2002 to 4 July 2012 were outstanding under the Pre-IPO Share Option Scheme during the year:

	Number of share options granted on 5 July 2002					
	At 1 April 2005		Cancelled during the year		At 31 March 2006	
Name or category of participant	Before the share consolidation	After the share consolidation	Before the share consolidation	After the share consolidation	Before the share consolidation	After the share consolidation
Exercise price per share	0.14	0.28	0.14	0.28	0.14	0.28
Executive directors:						
Ms. Wong Yuen Yee	4,800,000	2,400,000	–	–	4,800,000	2,400,000
Mr. Wong Kwok Sing	4,800,000	2,400,000	–	–	4,800,000	2,400,000
Mr. Wong Yao Wing, Robert	4,800,000	2,400,000	–	–	4,800,000	2,400,000
Mr. Lam Shiu San	4,800,000	2,400,000	–	–	4,800,000	2,400,000
	19,200,000	9,600,000	–	–	19,200,000	9,600,000
Senior management	9,600,000	4,800,000	–	–	9,600,000	4,800,000
Other employees	15,840,000	7,920,000	–	–	15,840,000	7,920,000
	44,640,000	22,320,000	–	–	44,640,000	22,320,000

(ii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme, the principal terms of which are set out in the section headed "Share Option Schemes" in Appendix IV of the Prospectus. Options were granted by the Company under the Post-IPO Share Option Scheme on 6 January 2004.

The following share options with an exercise period from 6 January 2004 to 5 January 2014 were outstanding under the Post-IPO Share Option Scheme during the year:

	Number of share options granted on 6 January 2004					
	At 1 April 2005		Cancelled during the year		At 31 March 2006	
Name or category of participant	Before the share consolidation	After the share consolidation	Before the share consolidation	After the share consolidation	Before the share consolidation	After the share consolidation
Exercise price per share	0.11	0.22	0.11	0.22	0.11	0.22
Executive directors:						
Ms. Wong Yuen Yee	4,757,000	2,378,500	–	–	4,757,000	2,378,500
Mr. Wong Kwok Sing	4,757,000	2,378,500	–	–	4,757,000	2,378,500
Mr. Wong Yao Wing, Robert	4,757,000	2,378,500	–	–	4,757,000	2,378,500
Mr. Lam Shiu San	4,757,000	2,378,500	–	–	4,757,000	2,378,500
	19,028,000	9,514,000	–	–	19,028,000	9,514,000
Senior management	4,757,000	2,378,500	–	–	4,757,000	2,378,500
Other employees	9,535,000	4,767,500	–	–	9,535,000	4,767,500
	33,320,000	16,660,000	–	–	33,320,000	16,660,000

32 **SHARE OPTION SCHEMES** *(Continued)*

(iii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme, the principal terms of which are set out in the section headed "Share Option Schemes" in Appendix IV of the Prospectus. Options were granted by the Company under the Post-IPO Share Option Scheme on 20 September 2005.

The following share options with an exercise period from 20 September 2005 to 19 September 2015 were outstanding under the Post-IPO Share Option Scheme during the year:

	Number of share options granted on 20 September 2005					
	At date of grant		Exercised during the year		At 31 March 2006	
Name or category of participant	Before the share consolidation	After the share consolidation	Before the share consolidation	After the share consolidation	Before the share consolidation	After the share consolidation
Exercise price per share	0.057	0.114	0.057	0.114	0.057	0.114
Executive directors:						
Ms. Wong Yuen Yee	5,800,000	2,900,000	–	–	5,800,000	2,900,000
Mr. Wong Kwok Sing	5,800,000	2,900,000	–	–	5,800,000	2,900,000
Mr. Wong Yao Wing, Robert	5,800,000	2,900,000	–	–	5,800,000	2,900,000
Lam Shiu San	5,800,000	2,900,000	–	–	5,800,000	2,900,000
	23,200,000	11,600,000	–	–	23,200,000	11,600,000
Senior management	7,300,000	3,650,000	(5,800,000)	(2,900,000)	1,500,000	750,000
Other employees	26,700,000	13,350,000	(17,400,000)	(8,700,000)	9,300,000	4,650,000
	57,200,000	28,600,000	(23,200,000)	(11,600,000)	34,000,000	17,000,000

The fair value of the options granted on 20 September 2005 determined using the Binomial Option Pricing Model was HK$2,459,600. The significant inputs to the model were as follows:

	2006
Stock assets price	HK$0.055
Exercise price	HK$0.057
Expected volatility	107%
Expected life	5 years
Risk free interest rate	4.012%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 90 days.

The Binomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price. Any changes in subjective input assumptions can materially affect the fair value estimate.

33 RESERVES

(a) The Group

	Share premium HK$'000	Employee compensation reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2004	12,068	–	–	5,625	43	13,894	31,630
Effects of changes in accounting policies *(note 3)*	–	–	282	–	–	7	289
Balance at 1 April 2004, as restated	12,068	–	282	5,625	43	13,901	31,919
Profit for the year, as restated	–	–	–	–	–	5,661	5,661
Issuance of shares	3,465	–	–	–	–	–	3,465
Share issuance costs	(163)	–	–	–	–	–	(163)
Balance at 31 March 2005, as restated	15,370	–	282	5,625	43	19,562	40,882
Loss for the year	–	–	–	–	–	(5,708)	(5,708)
Issuance of shares and exercising options	8,170	–	–	–	–	–	8,170
Shares issuance costs	(93)	–	–	–	–	–	(93)
Transfer to share premium upon exercise of share options	998	(998)	–	–	–	–	–
Recognition of equity component of convertible notes, net of transaction costs	–	–	160	–	–	–	160
Recognition of share-based payment as expenses	–	2,460	–	–	–	–	2,460
Balance at 31 March 2006	24,445	1,462	442	5,625	43	13,854	45,871

The share issuance costs were written off against the share premium account.

Included in retained profits is an accumulated losses of HK$7,000 (2005: HK$164,000), attributable to associates and jointly controlled entity.

The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Law and the Companies Act of Bermuda ("Companies Act").

33 RESERVES *(Continued)*

(b) The Company

	Share premium *HK$'000*	Employee compensation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Accumulated loss *HK$'000*	Total *HK$'000*
Balance at 1 April 2004	12,068	–	–	5,625	43	(4,896)	12,840
Effects of changes in accounting policies *(note 3)*	–	–	282	–	–	7	289
Balance at 1 April 2004, as restated	12,068	–	282	5,625	43	(4,889)	13,129
Profit for the year, as restated	–	–	–	–	–	11	11
Issuance of shares	3,465	–	–	–	–	–	3,465
Share issuance costs	(163)	–	–	–	–	–	(163)
Balance at 31 March 2005, as restated	15,370	–	282	5,625	43	(4,878)	16,442
Loss for the year	–	–	–	–	–	(6,451)	(6,451)
Issuance of shares and exercising options	8,170	–	–	–	–	–	8,170
Shares issuance costs	(93)	–	–	–	–	–	(93)
Transfer to share premium upon exercise of share options	998	(998)	–	–	–	–	–
Recognition of equity component of convertible notes, net of transaction costs	–	–	160	–	–	–	160
Recognition of share-based payment as expenses	–	2,460	–	–	–	–	2,460
Balance at 31 March 2006	24,445	1,462	442	5,625	43	(11,329)	20,688

At 31 March 2006, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$Nil (2005 (restated): HK$747,000).

Pursuant to the reorganisation as set out in the prospectus, the Company became the holding company of the Group on 5 July 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provision of section 54 of the Companies Act.

34 COMMITMENTS

(a) Operating leases commitment

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 1 year	227	269
In the second to fifth year inclusive	113	–
	340	269

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two year, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(b) Capital commitments

Capital commitments outstanding at 31 March 2006 not provided for in the financial statements of the Group were as follows:

	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for:		
Acquisition of equipment	4,460	420
Interest in a subsidiary	850	8,075
	5,310	8,495

35 RELATED PARTY TRANSACTIONS

Trade transactions

The following represents a summary of material transactions during the year between the Group and related parties identified by the directors:

		2006	2005
	Note	*HK$'000*	*HK$'000*
Operating expenses paid	(i)	338	738
Salaries paid	(ii)	–	120
Consultancy fee paid	(iii)	72	–

Note:

(i) The directors, Ms. Wong Yuen Yee, Mr. Lam Shiu San and Mr. Wong Kwok Sing, paid certain operating expenses on behalf of the Group.

(ii) Salaries paid to Ms. Chen Po Sum, the honorable chairman of the Group, for promoting the Group's image.

(iii) Consultancy fee paid to Digital Bank Technology Limited, where Mr. Lam Shiu San is the common director, for the provision of technical support.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

35 RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Basic salary, allowance and other benefits	4,094	3,920
Recognised retirement pension	70	60
Share-based payments	1,312	–
Discretionary bonuses	104	–
	5,580	3,980

36 EVENTS AFTER BALANCE SHEET DATE

(1) On 23 May 2006, the Company entered into a memorandum of understanding ("MOU") in connection with the Company's possible acquisition in the share capital of Autoscale Resources Limited ("Autoscale"), representing 66% of its issued share capital. Autoscale is interested in approximately 38.5% of the ordinary class of shares in the issued share capital of United Premier Medical Group Limited.

According to the directors, the MOU is non-legally binding and only sets forth the parties' intention to proceed with the discussions and negotiation of the possible acquisition in accordance with the principles as set forth in the MOU.

(2) On 23 May 2006, the Company entered into subscription agreements with subscribers in relation to the subscription of an aggregate of 28,000,000 shares at the subscription price of HK$0.2 per share.

4. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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

Condensed Consolidated Income Statement

For the three months and six months ended 30 September 2006

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000* (restated)*	*HK$'000*	*HK$'000* (restated)*
Turnover	2	8,386	24,484	17,723	52,433
Cost of sales		(2,124)	(13,704)	(5,180)	(32,863)
Gross profit		6,262	10,780	12,543	19,570
Other revenue		228	138	456	284
Marketing and promotion expenses		(476)	(346)	(606)	(827)
Administrative expenses		(8,346)	(2,768)	(12,985)	(5,535)
(Loss)/profit from operations		(2,332)	7,804	(592)	13,492
Finance costs		(1,288)	(1,436)	(2,585)	(2,609)
Share of losses of associates and jointly controlled entities		(1)	(146)	(1)	(291)
(Loss)/profit from ordinary activities before taxation	3	(3,621)	6,222	(3,178)	10,592
Taxation	4	(513)	(1,115)	(749)	(1,905)
(Loss)/profit for the period		(4,134)	5,107	(3,927)	8,687
Attributable to:					
Equity holders of the Company		(4,134)	5,107	(3,927)	8,687
Minority Interests		–	–	–	–
(Loss)/earnings per share					
– Basic	5	(1.23 cents)	1.60 cents	(1.17 cents)	3.00 cents
– Diluted		N/A	N/A	N/A	N/A
Dividends		–	–	–	–

No extraordinary items or exceptional items were recorded for the three months and six months ended 30 September 2005 and 30 September 2006.

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30 September 2006 HK$'000	Audited 31 March 2006 HK$'000
Non-current assets			
Property, plant and equipment		10,223	9,374
Prepaid lease payments		5,765	5,768
Intangible assets	6	24,194	25,760
Interest in associates	7	5,236	5,237
		45,418	46,139
Current assets			
Inventories	9	7,625	8,918
Accounts receivable	10	42,766	39,894
Prepayments, deposits and other receivables		4,316	4,475
Amounts due from customers		10,920	8,520
Pledged deposits		25,000	25,000
Cash and cash equivalents		240	845
		90,867	87,652
Current liabilities			
Bank loans and overdrafts	12	30,518	30,862
Trade payables, accrued expenses and other payables	11	14,714	12,498
Bills payable		3,523	4,966
Amounts due to directors		9,078	7,349
Obligations under finance leases		–	814
Current taxation		1,551	1,242
Convertible notes		–	8,996
Other loan		9,320	–
		68,704	66,727
Net current assets		22,163	20,925
Non-current liabilities			
Bank loans	12	3,876	3,932
Convertible notes	13	6,085	6,060
Deferred taxation		4,499	4,499
		14,460	14,491
Net assets		53,121	52,573
Capital and reserves			
Share capital	14	7,262	6,702
Reserves		45,859	45,871
		53,121	52,573

Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Share Capital	Share Premium	Employee Compensation Reserve	Convertible Notes Reserve	Contributed Surplus	Capital Redemption Reserve	Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	5,450	15,370	–	–	5,625	43	19,613	46,101
Profit for the period	–	–	–	–	–	–	8,687	8,687
Issuance of shares	420	1,680	–	–	–	–	–	2,100
Share issuance cost	–	(93)	–	–	–	–	–	(93)
At 30 September 2005	5,870	16,957	–	–	5,625	43	28,300	56,795
At 1 April 2006	6,702	24,445	1,462	442	5,625	43	13,854	52,573
Loss for the period	–	–	–	–	–	–	(3,927)	(3,927)
Issuance of shares	560	3,920	–	–	–	–	–	4,480
Share issuance cost	–	(5)	–	–	–	–	–	(5)
At 30 September 2006	7,262	28,360	1,462	442	5,625	43	9,927	53,121

Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 September 2006	30 September 2005
	HK$'000	*HK$'000*
Net cash inflow from operating activities	2,457	3,992
Net cash used in investing activities	(4,308)	(10,709)
Net cash used in financing activities	941	7,423
Decrease/(increase) in cash and cash equivalents	(910)	706
Cash and cash equivalents at the beginning of the period	(17,893)	(21,526)
Cash and cash equivalent at the end of the period	(18,803)	(20,820)

Analysis of cash and cash equivalents:

	Unaudited Six months ended 30 September 2006	30 September 2005
	HK$'000	*HK$'000*
Cash and cash equivalents in the condensed consolidated balance sheet	240	2,279
Bank overdrafts	(19,043)	(23,099)
Cash and cash equivalents	(18,803)	(20,820)

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual HKFRSs, 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Group has applied the same principal accounting policies and methods of computation in the unaudited condensed consolidated financial statements as are applied in its annual financial statements for the year ended 31 March 2006. The principal accounting policies adopted are disclosed in the Group's 2006 Annual Report dated 26 June 2006.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group's 2006 annual report.

2. TURNOVER

Turnover represents the amounts received and receivable for the provision of residential intranet, e-property management software application consulting services and sales of home-automation and other products.

The Group's turnover is derived from the design of residential intranet, provision of e-property management software application consulting services and trading of home-automation and other products in Hong Kong.

3. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging:

	Unaudited Six months ended	
	30 September 2006	**30 September 2005**
	HK$'000	*HK$'000*
Finance cost		
Interest on bank advances wholly repayable within five years	1,687	1,803
Interest on convertible note	875	607
Interest on other loan	17	–
Finance charges on obligations under finance lease	6	199
Auditors' remuneration	190	132
Staff cost	3,427	3,462
Amortisation of intangible assets	3,426	4,016
Depreciation		
Owned assets	1,203	624
Assets held under finance leases	–	120
Operating lease charges in respect of office premises	290	391
Provision for impairment of trade receivables	3,000	–
Retirement costs	154	126

4. TAXATION

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

Deferred taxation

Major components of deferred tax liabilities of the Group are set out below:

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Tax losses	–	–
Depreciation allowances in excess of related depreciation	4,499	4,499
	4,499	4,499

(a) The amount of taxation charged to the unaudited condensed consolidated income statement represents

	Unaudited Six months ended 30 September 2006 *HK$'000*	30 September 2005 *HK$'000*
Tax for the period		
– Hong Kong profits tax	714	1,905
Under provision in respect of prior year	35	–
	749	1,905

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates

	Unaudited Six months ended 30 September 2006 *HK$'000*	30 September 2005 *HK$'000*
Profit from ordinary activity before taxation	4,079	10,883
Calculated at a taxation rate of 17.5%	714	1,905

5. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity holders for the three months and six months ended 30 September 2006 of approximately HK$4,134,000 and HK$3,927,000 (2005: profit of HK$5,107,000 and HK$8,687,000 respectively) and on the weighted average of 335,075,000 and 336,452,049 respectively (2005 (restated): 290,261,885 and 293,475,000 respectively) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented for the three months and six months ended 30 September in 2006 and 2005 as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the period and the convertible notes are anti-dilutive.

6. CAPITAL EXPENDITURE

	Intangible assets *HK$'000*	Fixed assets *HK$'000*
Net book value as at 1 April 2006	25,760	15,142
Additions	1,860	2,049
Depreciation/Amortisation	(3,426)	(1,203)
Net book value as at 30 September 2006	24,194	15,988

7. INTEREST IN ASSOCIATES

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Share of net assets	5,236	5,237

8. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Share of net assets	–	–

9. INVENTORIES

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Finished goods	5,795	6,624
Work in progress	1,743	139
Raw materials	87	96
Spares and consumables	–	2,059
	7,625	8,918

10. ACCOUNTS RECEIVABLE

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Trade receivables	45,666	39,795
Less: Provision for impairment of trade receivables	(3,000)	–
	42,666	39,795
Receivable from a jointly controlled entity	92	86
Receivables from associates	8	13
	42,766	39,894

The ageing analysis of the Group's trade receivables is as follows:

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Current	22,860	14,979
Aged over 1 month but less than 3 months	10,288	13,285
Aged over 3 months	9,518	11,531
	42,666	39,795

Customers are generally granted with credit terms of 3 months.

11. TRADE PAYABLES ACCRUED EXPENSES AND OTHER PAYABLES

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Trade payables	175	540
Amount due to a related company	1,493	1,493
Accrued expenses and other payables	13,046	10,465
	14,714	12,498

12. BANK LOANS AND OVERDRAFTS

	Unaudited 30 September 2006 *HK$'000*	**Audited 31 March 2006** *HK$'000*
Secured bank overdrafts	19,043	18,738
Secured bank loans	15,351	16,056
	34,394	34,794

	Unaudited 30 September 2006 *HK$'000*	**Audited 31 March 2006** *HK$'000*
Within 1 year	30,518	30,862
After 1 year but within 2 years	119	115
After 2 year but within 5 years	417	387
Over 5 years	3,340	3,430
	34,394	34,794

13. CONVERTIBLE NOTES

	Unaudited 30 September 2006 *HK$'000*	**Audited 31 March 2006** *HK$'000*
Balance as at	6,085	15,180

Series of convertible notes issued by the Company:

(a) Convertible loan notes in the aggregate principal amount of HK$8,000,000

The convertible notes issued on 24 September 2004 bore interest at 7.5% per annum and were due for repayment on 24 September 2006.

As at 24 September 2006, this series of the convertible notes was discharged and released.

(b) Convertible loan notes in the aggregate principal amount of HK$6,300,000

The convertible notes issued on 12 August 2005 bear interest at 7.5% per annum and are due for repayment on 12 August 2008. The convertible note holders have the right at any time on or during the period commencing from 15 May 2006 up to three business Days before 12 August 2008, to convert any outstanding principal amount of the notes in whole or in part into the Company's ordinary shares at the conversion price of HK$0.05 per share, subject to adjustment in accordance with the terms in the instrument constituting the convertible notes at any time after 12 August 2005 up to the maturity date 31 July 2008.

During the period ended 30 September 2006, none of the convertible note holders above exercised their rights of conversion into the Company's ordinary shares.

14. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised		
Ordinary shares of HK$0.02 each	5,000,000	100,000
Issued and fully paid		
At 1 April 2006	335,075	6,702
Issuance of ordinary shares	28,000	560
At 30 September 2006	363,075	7,262

15. OPERATING LEASE COMMITMENTS

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	Unaudited 30 September 2006	Audited 31 March 2006
	HK$'000	*HK$'000*
Within 1 year	354	227
After 1 year but within 5 years	193	113
	547	340

16. CAPITAL COMMITMENTS

	Unaudited 30 September 2006	Audited 31 March 2006
	HK$'000	*HK$'000*
Contracted for acquisition of equipment	–	4,460
Interest in a subsidiary	–	850
	–	5,310

17. RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. The Group participates in a Mandatory Provident Fund ("MPF"), managed by independent approved MPF trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

5. UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

Set out below is the unaudited financial information of the Group for the three months and nine months ended 31 December 2006, together with comparative amounts, as extracted from the third quarterly report 2006/07 of the Company.

Condensed Consolidated Income Statement
For the three months and nine months ended 31 December 2006

		Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000** (restated)	*HK$'000*	*HK$'000** (restated)
Turnover	2	1,616	15,383	19,339	67,816
Cost of sales		(1,197)	(10,962)	(6,377)	(43,838)
Gross profit		419	4,421	12,962	23,978
Other revenue		221	300	677	584
Marketing and promotion expenses		(513)	(369)	(1,119)	(1,196)
Administrative expenses		(3,137)	(2,793)	(16,122)	(8,315)
(Loss)/profit from operations		(3,010)	1,559	(3,602)	15,051
Finance costs		(1,224)	(1,438)	(3,809)	(4,047)
Share of losses of associates and jointly controlled entities		–	(63)	(1)	(354)
(Loss)/profit from ordinary activities before taxation		(4,234)	58	(7,412)	10,650
Taxation	3	–	(21)	(35)	(1,926)
(Loss)/profit for the period		(4,234)	37	(7,447)	8,724
Attributable to:					
Equity holders of the Company		(4,234)	37	(7,447)	8,724
Minority Interests		–	–	–	–
(Loss)/earnings per share					
– Basic	4(a)	(1.13 cents)	0.012 cents	(2.13 cents)	3.00 cents
– Diluted	4(b)	N/A	N/A	N/A	N/A
Dividends		–	–	–	–

No extraordinary items or exceptional items were recorded for the three months and nine months ended 31 December 2005 and 31 December 2006.

* Due to a change of accounting policy, figures in 2005 have been restated. For details, please refer to note 3 to the financial statements for the year ended 31 March 2006.

Notes:

1. **BASIS OF PREPARATION OF THE ACCOUNTS**

The unaudited consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual HKFRSs, 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Group has applied the same principal accounting policies and methods of computation in the unaudited condensed consolidated financial statements as are applied in its annual financial statements for the year ended 31 March 2006. The principal accounting policies adopted are disclosed in the Group's 2006 Annual Report dated 26 June 2006.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group's 2006 annual report.

2. **TURNOVER**

Turnover represents the amounts received and receivable for the provision of residential intranet, e-property management software application consulting services and sales of home-automation and other products.

The Group's turnover is derived from the design of residential intranet, provision of e-property management software application consulting services and trading of home-automation and other products in Hong Kong.

3. **TAXATION**

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

4. **(LOSS)/EARNINGS PER SHARE**

(a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity holders for the three months and nine months ended 31 December 2006 of approximately HK$4,234,000 and HK$7,447,000 (2005: profit of HK$37,000 and HK$8,724,000 respectively) and on the weighted average of 375,455,435 and 349,500,455 respectively (2005 (restated): 293,475,000 and 291,489,545 respectively) ordinary shares in issue during the year.

(b) **Diluted (loss)/earnings per share**

The diluted (loss)/earnings per share is shown as it is not materially different from the basic (loss)/earnings per share.

5. MOVEMENTS OF RESERVES

	Unaudited						
	Share Premium	Employee compensation reserve	Convertible Notes Reserve	Contributed Surplus	Capital redemption Reserve	Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	15,370	–	–	5,625	43	19,613	40,651
Profit for the period	–	–	–	–	–	8,724	8,724
Issuance of shares	1,680	–	–	–	–	–	1,680
Share issuance cost	(93)	–	–	–	–	–	(93)
At 31 December 2005	16,957	–	–	5,625	43	28,337	50,962
At 1 April 2006	24,445	1,462	442	5,625	43	13,854	45,871
Loss for the period	–	–	–	–	–	(7,447)	(7,447)
Issuance of shares	13,300	–	–	–	–	–	13,300
Share issuance cost	(458)	–	–	–	–	–	(458)
At 31 December 2006	37,287	1,462	442	5,625	43	6,407	51,266

6. INDEBTEDNESS

Borrowings

The Enlarged Group

As at the close of business on 31 January 2007, the Enlarged Group had outstanding borrowings of approximately HK$54,589,000. The outstanding borrowings comprised secured bank borrowings of approximately HK$34,209,000 and unsecured borrowings of approximately HK$20,380,000. The unsecured borrowings included convertible notes of approximately HK$6,102,000, other borrowing of approximately HK$6,750,000 and amount due to directors of approximately HK$7,528,000.

The Group

As at the close of business on 31 January 2007 the Group had outstanding borrowings of approximately HK$54,531,000. The outstanding borrowings comprised secured bank borrowings of approximately HK$34,209,000 and unsecured borrowings of approximately HK$20,322,000. The unsecured borrowings included convertible notes of approximately HK$6,102,000, other borrowings of approximately HK$6,750,000 and amount due to directors of approximately HK$7,470,000.

Securities and guarantees

The Enlarged Group

As at the close of business on 31 January 2007, the borrowings of Autoscale in the amount of approximately HK$58,000, being amount due to directors is an unsecured borrowing. Accordingly, the amount of securities and guarantees of the Enlarged Group is the same as those of the Group disclosed below.

The Group

As at the close of business on 31 January 2007, the Group has pledged its prepaid lease payments and buildings with net book value of approximately HK$6,173,000 and fixed deposits of approximately HK$23,000,000 to secure the general banking facilities granted in the amount of approximately HK$35,288,000 to the Group.

As at the close of business on 31 January 2007, the Group provided unlimited corporate guarantees to banks in respect of general banking facilities of approximately HK$23,288,000 granted to a subsidiary namely Cyberworks Technology Limited.

Disclaimer

The Enlarged Group

Save as aforesaid and apart form intra-group liabilities, at the close of business on 31 January 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 31 January 2007 and up to the Latest Practicable Date.

The Group

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 January 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 January 2007 and up to the Latest Practicable Date.

7. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

8. MATERIAL CHANGE

Save for:

(i) the provision for impairment of trade receivables in the amount of HK$3,000,000 as disclosed in the interim report of the Company for the six months ended 30 September 2006;

(ii) the discharge and release of 7.5% convertible notes in the aggregate principal amount of HK$8,000,000 on 24 September 2006 as disclosed in the interim report of the Company for the six months ended 30 September 2006;

(iii) the entering into of the subscription agreements (the "Subscription Agreements A") by the Company with subscribers in relation to the subscription of an aggregate of 28,000,000 shares ("Shares") of the Company at the subscription price of HK$0.2 per Share on 23 May 2006, details of which are set out in the announcement of the Company dated 23 May 2006;

(iv) the entering into of the supplemental agreements to amend and supplement the terms of the Subscription Agreements A, in which the Company and the subscribers had agreed to (a) extend the date for fulfillment of the conditions of the subscription to on or before 9 October 2006; (b) extend the date for completion of the subscription; and (c) amend the subscription price, details of which are set out in the announcement of the Company dated 31 August 2006. The subscription was completed on 22 September 2006, details of which are set out in the announcement of the Company dated 22 September 2006;

(v) the entering into of subscription agreements (the "Subscription Agreements B") by the Company in relation to the subscription of an aggregate of 33,500,000 subscription Shares by the subscribers at the subscription price of HK$0.16 per subscription Share on 15 November 2006, details of which are set out in the announcement of the Company dated 15 November 2006. The subscription was completed on 15 November 2006, details of which are set out in the announcements of the Company dated 4 and 15 December 2006 respectively;

(vi) the entering into of the placing agreement by the Company with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, 33,500,000 placing Shares to independent investors at a price of HK$0.16 per placing Share. By midnight of 15 November 2006, all the placing Shares were successfully placed and the placing agreement remained valid and effective. Details of such placing are set out in the announcement of the Company dated 16 November 2006. The placing was completed on 15 November 2006, details of which are set out in the announcements of the Company dated 4 and 15 December 2006 respectively;

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Cheung & Siu.

Cheung & Siu
張、蕭會計師事務所

26th March, 2007

The Directors
Inno-Tech Holdings Limited
Room 903, 9th Floor,
Tung Wai Commercial Building,
109-111 Gloucester Road,
Wan Chai, Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Autoscale Resources Limited ("Autoscale") for each of the three years ended 30th September, 2004, 2005 and 2006 (the "Relevant Periods") for inclusion in the circular of Inno-Tech Holdings Limited (the "Company") dated 26th March, 2007 (the "Circular") in connection with the proposed acquisition of 56% equity interest in Autoscale by the Company (the "Acquisition").

Autoscale was incorporated on 30th August, 2000 in the British Virgin Islands with limited liability and acts as an investment holding company. As at 30th September, 2006, Autoscale held 38.26% equity interest in United Premier Medical Group Limited ("UPMGL"). The principal activity of UPMGL and its subsidiaries is the provision of health care consulting services in the People's Republic of China.

No audited financial statements of Autoscale have been prepared as Autoscale is not subject to any statutory audit requirements.

For the purpose of this report, the directors of Autoscale have prepared financial statements of Autoscale for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). The directors of Autoscale are responsible for preparing the Underlying Financial Statements which give a true and fair view. In preparing these Underlying Financial Statements it is fundamental that appropriate accounting policies are selected and applied consistently. We have performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information set out in sections A to B below (the "Financial Information") has been prepared based on the Underlying Financial Statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Autoscale are responsible for the Financial Information. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results and cash flows of Autoscale for the Relevant Periods and of its balance sheets as at 30th September, 2004, 2005 and 2006.

A. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 30th September,		
		2004	**2005**	**2006**
	Notes	*HK$*	*HK$*	*HK$*
TURNOVER	5	5,834,842	–	–
Cost of services rendered		(1,639,668)	–	–
Gross profit		4,195,174	–	–
Other revenues	5	450,855	–	–
Administrative expenses		(10,892,923)	(26,045)	(20,000)
Service fee for medical training written off		(10,276,264)	–	–
Finance costs	7	(9,265,429)	–	–
Gain on deemed disposal of a subsidiary	16	18,703,516	–	–
Gain on partial deemed disposal of an associate	17	2,397,564	3,399,643	2,956,540
Share of results of an associate		(3,718,990)	(10,067,283)	(2,956,540)
LOSS BEFORE TAX	8	(8,406,497)	(6,693,685)	(20,000)
Tax	10	(216,563)	–	–
LOSS BEFORE MINORITY INTERESTS		(8,623,060)	(6,693,685)	–
Minority interests		10,897,622	–	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		2,274,562	(6,693,685)	(20,000)
DIVIDEND		–	–	–

BALANCE SHEETS

		As at 30th September,		
		2004	**2005**	**2006**
	Notes	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS				
Property, plant and equipment	11	–	–	–
Investment in an associate	12	6,667,640	–	–
Total non-current assets		6,667,640	–	–
CURRENT LIABILITIES				
Accruals and other payables		60,000	86,045	100,000
Due to a director	13	52,455	52,455	58,500
Total current liabilities		112,455	138,500	158,500
NET CURRENT LIABILITIES		(112,455)	(138,500)	(158,500)
Net assets/(liabilities)		6,555,185	(138,500)	(158,500)
EQUITY				
Issued capital	14	780	780	780
Reserves		6,554,405	(139,280)	(159,280)
Total equity		6,555,185	(138,500)	(158,500)

STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Equity component of convertible notes	Translation reserve	Accumulated losses	Total	Minority interest	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st October, 2003	780	2,127,165	8,386	4,279,843	6,416,174	4,875,567	11,291,741
Issue of convertible notes by a subsidiary	–	597,467	–	–	597,467	448,001	1,045,468
Capital contributions by minority shareholders of a subsidiary	–	–	–	–	–	994,372	994,372
Deemed disposal of a subsidiary	–	(2,724,632)	(8,386)	–	(2,733,018)	4,579,682	1,846,664
Net profit/(loss) for the year	–	–	–	2,274,562	2,274,562	(10,897,622)	(8,623,060)
At 30th September, 2004 and 1st October, 2004	780	–	–	6,554,405	6,555,185	–	6,555,185
Net loss for the year	–	–	–	(6,693,685)	(6,693,685)	–	(6,693,685)
At 30th September, 2005 and 1st October, 2005	780	–	–	(139,280)	(138,500)	–	(138,500)
Net loss for the year	–	–	–	(20,000)	(20,000)	–	(20,000)
At 30th September, 2006	780	–	–	(159,280)	(158,500)	–	(158,500)

CASH FLOW STATEMENTS

	Year ended 30th September,		
	2004	2005	2006
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
Loss before tax	(8,406,497)	(6,693,685)	(20,000)
Adjustments for:			
Finance costs	9,265,429	–	–
Depreciation of property, plant and equipment	1,164,777	–	–
Service fee for medical training written off	10,276,264	–	–
Loss on disposal of property, plant and equipment	219,753	–	–
Bad debts written off	267,382	–	–
Interest income	(60,247)	–	–
Share results of an associate	3,718,990	10,067,283	2,956,540
Gain on deemed disposal of a subsidiary	(18,703,516)	–	–
Gain on deemed partial disposal of an associate	(2,397,564)	(3,399,643)	(2,956,540)
Operating cash flow before movements in working capital	(4,655,229)	(26,045)	(20,000)
Decrease in accounts receivable	1,024,911	–	–
Increase in prepayments, deposits and other receivables	(12,588,728)	–	–
Increase in amount due from a related company	(1,714,854)	–	–
Decrease in amount due from directors	2,083,540	–	–
Increase in accuals and other payables	5,164,376	26,045	13,955
Increase in amount due to directors	41,435	–	6,045
Increase in amount due to related companies	390,000	–	–
Cash used in operations	(10,254,549)	–	–
Hong Kong profits tax paid	(17,127)	–	–
Interest paid	(3,567,084)	–	–
NET CASH USED IN OPERATION ACTIVITIES	(13,838,760)	–	–
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(5,973,282)	–	–
Increase in prepayment and deposits	(3,595,781)	–	–
Interest income received	60,247	–	–
Deemed disposal of a subsidiary	(5,022,412)	–	–
NET CASH USED IN INVESTING ACTIVITIES	(14,531,228)	–	–
FINANCING ACTIVITIES			
Proceeds from issue of convertible notes by subsidiary	14,390,000	–	–
Capital contribution from minority shareholders of a subsidiary	994,372	–	–
NET CASH FROM FINANCING ACTIVITIES	15,384,372	–	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,985,616)	–	–
Cash and cash equivalents at beginning of year	12,985,616	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	–	–	–
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	–	–	–

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Autoscale was incorporated in the British Virgin Islands ("BVI") on 30th August, 2000 with limited liability under the International Business Companies Act (Cap. 291) of the BVI. The registered office and principal place of business of Autoscale are located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI and Room 903, 9th Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong, respectively.

Autoscale is an investment holding company with associates principally engaged in the provision of health care consulting services in the People's Republic of China.

2. ADOPTION OF NEW OR REVISED STANDARDS

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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. The Financial Information has been prepared under the historical cost convention.

New HKFRSs issued but not yet effective are not early adopted. The directors of Autoscale anticipate that the application of these new HKFRSs will have no material impact on the Financial Information.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Financial Information has been prepared on a going concern basis notwithstanding Autoscale had net liabilities as at 30th September 2006 as the shareholders of Autoscale have undertaken to provide continuous financial support to Autoscale, and to maintain it as a going concern.

Basis of consolidation

The Financial Information incorporates the financial statements of Autoscale and its subsidiaries. The results of subsidiaries acquired or disposed of during the period are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Minority interests represent the interests of outside shareholders in the results and net assets of the Autoscale's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies Autoscale controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in Autoscale's income statement to the extent of dividends received and receivable.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which Autoscale has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Autoscale's share of the post-acquisition results and reserves of associates is included in the income statement and reserves, respectively. Autoscale's interests in associates are stated in the balance sheet at Autoscale's share of net assets under equity method of accounting, less any impairment losses.

The results of associates are included in Autoscale's income statement to the extent of dividends received and receivable. Autoscale's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

3. **BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largerly independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to Autoscale if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, Autoscale; (ii) has an interest in Autoscale that gives it significant influence over Autoscale; or (iii) has joint control over Autoscale;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of Autoscale or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of Autoscale, or of any entity that is a related party of Autoscale.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture and fixtures	14.3% – 20%
Office equipment	20%
Maternity centre equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the item.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, 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 when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Autoscale Group's cash management.

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

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognized for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Autoscale Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of health care consulting services, when services are rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of financial assets.

Employee benefits

Employment Ordinance long service payments

Employees completed the required number of years of service to the Autoscale Group is eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Autoscale Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Pension scheme

The Autoscale Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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 the MPF Scheme are held separately from those of the Autoscale Group in an independently administered fund. The Autoscale Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension scheme (Continued)

The employees of Autoscale's subsidiaries which operate in Mainland China are required to participate in central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

The Autoscale Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Autoscale Group's operations. Employees (including directors) of the Autoscale Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Autoscale Group ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Autoscale Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expenses recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, where increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Borrowing costs

Borrowing costs are charged to the income statement in the period in which they are incurred.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is Autoscale's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates, are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of Autoscale at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

3. **BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the cash flow statements, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Segment Reporting

A segment is a distinguishable component of the Autoscale 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 form those of other segments.

4. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Judgements

In the process of applying the Autoscale Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Autoscale 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.

Income tax

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 will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of 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.

Estimated uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment test of assets

The Autoscale Group determines whether an asset is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Autoscale Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. TURNOVER AND OTHER REVENUES

Turnover represents the service income from the provision of health care consulting services rendered during the Relevant Periods.

An analysis of the Autoscale Group's turnover and other revenues for the Relevant Periods is as follows:

	Year ended 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Turnover			
Provision of health care consulting services	5,834,842	–	–
Other revenues			
Interest income	60,247	–	–
Sundry income	623	–	–
Negative goodwill written off	389,985	–	–
	450,855	–	–
	6,285,697	–	–

6. SEGMENTAL INFORMATION

No business or geograghical segment analysis is presented as all operations, assets and liabilities of the Autoscale Group during the Relevant Periods are related to the provision of health care consulting services and over 90% of the assets and customers are located in the PRC.

7. FINANCE COSTS

	Year ended 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Interest on convertible notes *	9,265,066	–	–
Interest on bank and other borrowings wholly repayable within five years	363	–	–
	9,265,429	–	–

* The convertible notes were issued by United Premier Medical Group Limited ("UPMGL"), a then subsidiary of Autoscale. The convertible notes were interest-bearing at 7.5% to 8% per annum, and were fully repaid as at 30th September, 2004.

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Year ended 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Auditors' remuneration			
Current year provision	240,000	20,000	20,000
Under-provision in prior year	25,800	–	–
	265,800	20,000	20,000
Bad debts written off	267,382	–	–
Depreciation of property, plant and equipment	1,164,777	–	–
Exchange losses, net	138,258	–	–
Minimum lease payments under operating lease on land and building	292,950	–	–
Staff costs (excluding directors' remuneration – *note 9*)			
Salaries and allowances	822,202	–	–
Pension scheme contributions	57,356	–	–
	879,558	–	–

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remunerations paid or payable to the directors were as follows:

	Year ended 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Fees	–	–	–
Other emoluments:			
Salaries and benefits in kind	–	–	–
Retirement scheme contributions	–	–	–
Share option expenses	3,341,220	–	–
	3,341,220	–	–

Of the five individuals with highest emoluments, none (30th September, 2005: none; 30th September, 2004: three) of them is director whose emolument is disclosed as above. Details of the remuneration of the five (30th September, 2005: five; 30th September, 2004: two) non-directors, highest paid employees are as follows:

	Year ended 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Salaries and benefits in kind	261,148	–	–
Retirement scheme contributions	6,380	–	–
	267,528	–	–

During the Relevant Periods, no emoluments were paid by Autoscale to the directors or any of the five highest paid individuals as an inducement to join or upon joining Autoscale or as compensation for loss of office. No directors waived any emoluments during the Relevant Periods.

10. TAX

	Year ended 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Current year provision			
Hong Kong	183,563	–	–
Overseas	33,000	–	–
Tax charge for the year	216,563	–	–

No provision for Hong Kong profits tax has been made as Autoscale did not generate any assessable profits arising in Hong Kong for the year ended 30th September, 2006 (for the year ended 30th September, 2005: nil; for the year ended 30th September, 2004: 17.5%).

Provision for PRC corporate income tax has been made in the financial statements on the estimated assessable profits for subsidiaries operating in the PRC at the rate of tax prevailing in the PRC during each of the Relevant Periods.

Taxes on profits of companies operating overseas have been calculated at the rates of taxes applicable in the respective jurisdictions, based on existing legislation, interpretations and practices in respect thereof, during each of the Relevant Periods.

There are no material unprovided deferred tax assets and liabilities at the respective balance sheet dates.

As the deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases were insignificant, no deferred tax is provided. Moreover, as the differences between the income tax expenses and accounting profit is immaterial, no numerical reconciliation between them is being disclosed.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Maternity centre equipment	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost:					
At 1st October, 2003	-	36,340	54,785	2,588,579	2,679,704
Additions	1,188,031	16,483	72,369	4,696,399	5,973,282
Disposal	-	-	-	(220,168)	(220,168)
Deemed disposal of a subsidiary	(1,188,031)	(52,823)	(127,154)	(7,064,810)	(8,432,818)
At 30th September, 2004 and 1st October, 2004	-	-	-	-	-
Additions/Disposal	-	-	-	-	-
At 30th September, 2005 and 1st October, 2005	-	-	-	-	-
Additions/Disposal	-	-	-	-	-
At 30th September, 2006	-	-	-	-	-
Accumulated depreciation:					
At 1st October, 2003	-	-	14,359	327,809	342,168
Charge for the year	133,439	8,392	19,753	1,003,193	1,164,777
Disposal	-	-	-	(415)	(415)
Deemed disposal of a subsidiary	(133,439)	(8,392)	(34,112)	(1,330,587)	(1,506,530)
At 30th September, 2004 and 1st October, 2004	-	-	-	-	-
Charge for the year	-	-	-	-	-
At 30th September, 2005 and 1st October, 2005	-	-	--	-	
Charge for the year	-	-	-	-	-
At 30th September, 2006	-	-	-	-	-
Net book value:					
At 30th September, 2006	-	-	-	-	-
At 30th September, 2005	-	-	-	-	-
At 30th September, 2004	-	-	-	-	-

12. INVESTMENT IN AN ASSOCIATE

	As at 30 th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Unlisted shares, at cost	46,800	46,800	46,800
Share of post-acquisition profits/(losses), net of dividends received	6,620,840	(46,800)	(46,800)
	6,667,640	–	–

Autoscale holds 6,000 ordinary shares of United Premier Medical Group Limited ("UPMGL") up to the date of this report and throughout the Relevant Periods. On 1st October 2003, such 6,000 ordinary shares in UPMGL amounted to an equity interest of 57.15% in UPMGL, which was then accounted for as a subsidiary by Autoscale. On 27th, 28th August, and 13th September, 2004, UPMGL issued 1,043, 300 and 1,608 ordinary shares, respectively, to shareholders other than Autoscale. As a result, Autoscale's equity interest in UPMGL had been diluted to 44.61% on 13th September, 2004. Thereafter, UPMGL has been accounted for as an associate in Autoscale's books.

Particulars of the principal associates as at 30th September, 2006 are as follows:

Name of associate	Place of incorporation/ establishment	Issued and fully paid capital/ registered capital	Percentage of ownership interest attributable to Autoscale		Principal activities
			Direct	Indirect	
United Premier Medical Group Limited ("UPMGL")	Caymen Islands	Ordinary HK$157	38.26% *	-	Investment holding
UPMG International Limited ("UPMG Int'l")	BVI	Ordinary US$10,499	-	38.26%	Investment holding
Proactive Medicare Enterprise (Hong Kong) Limited ("PME(HK)")	Hong Kong	Ordinary HK$2	-	38.26%	Investment holding and provision of health care consulting services
Shanghai Proactive Medicare Health Education Centre Limited (上海保康動力健康教育中心有限公司) ("PME(Shanghai)")	The People's Republic of China (the "PRC")	Ordinary US$1 million	-	34.43%	Provision of health care consulting services
Proactive Medicare Services (Hong Kong) Limited ("PMS(HK)")	Hong Kong	Ordinary HK$100	-	38.26%	Provision of health care consulting services
Proactive Medicare (Wuxi) Company Limited ("PM(Wuxi)")	Hong Kong	Ordinary HK$100	-	38.26%	Provision of health care consulting services

12. INVESTMENT IN AN ASSOCIATE *(Continued)*

Name of associate	Place of incorporation/ establishment	Issued and fully paid capital/ registered capital	Percentage of ownership interest attributable to Autoscale		Principal activities
			Direct	Indirect	
Proactive Medicare (Changsha) Company Limited ("PM(Changsha)")	Hong Kong	Ordinary HK$1	-	38.26%	Provision of health care consulting services
Proactive Medicare (Xiamen) Company Limited ("PM(Xiamen)")	Hong Kong	Ordinary HK$1	-	38.26%	Provision of health care consulting services
UPMG (Hong Kong) Limited (Formerly known as Hong Wing Consultants Limited) ("UPMG(HK)")	BVI	Ordinary US$1	-	19.13%	Investment holding
Board Prosper Limited ("Board Prosper")	BVI	Ordinary US$10,000	-	15.06%	Investment holding
UPMG(US) Limited (Formerly known as Team Loyal Limited) ("UPMG(US)")	BVI	Ordinary US$50,000	-	38.26%	Investment holding
Pro-Innovative Holdings Limited ("PIHL")	BVI	Ordinary US$1,000	-	19.51%	Investment holding
Ideamart Holdings Limited ("IHL")	BVI	Ordinary US$1	-	19.51%	Investment holding
UPMG International (Guangdong) Limited ("UPMGI(GD)")	BVI	Ordinary US$100	-	12.24%	Provision of health care consulting services
UPMG (Guangdong) Company Limited ("UPMG(GD)")	Hong Kong	Ordinary HK$100	-	12.24%	Provision of health care consulting services

The Company has discontinued the recognition of its share of losses of UPMGL because the share of losses of the associate exceeded Autoscale's interest in the associate. Autoscale's unrecognized share of losses of this associate for the current year and cumulatively was HK$10,924,893 (2005: HK$3,367,790; 2004: Nil) and HK$14,292,683 (2005: HK$3,367,790; 2004: Nil), respectively.

12. INVESTMENT IN AN ASSOCIATE *(Continued)*

All the above associates have been accounted for using the equity method in these financial statements. The following table illustrates the summarized financial information of Autoscale's associates extracted from their financial statements:

	As at 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Assets	76,766,449	82,024,828	75,234,005
Liabilities	59,817,116	36,707,087	33,034,945
Revenues	6,282,838	5,246,614	4,255,283
Loss for the year	34,726,137	32,161,485	35,932,500

* As at 30th September, 2004 and 2005, Autoscale's equity interest in an associate was 42.9% and 39.62% respectively.

13. DUE TO A DIRECTOR

The amount is unsecured, interest-free and has no fixed terms of repayment.

14. SHARE CAPITAL

	As at 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Authorised:			
50,000 ordinary shares of US$1	390,000	390,000	390,000
Issued and fully paid:			
100 ordinary shares of US$1	780	780	780

15. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Information, the Autoscale Group had the following transactions with related parties during the Relevant Periods:

		Year ended 30th September,		
		2004	**2005**	**2006**
	Notes	*HK$*	*HK$*	*HK$*
Service fees charged by a related company	(i)	390,000	–	–
Interest received from a director	(ii)	35,234	–	–

Notes:

(i) Service fee was charged at rates mutually agreed between the Autoscale Group and the related company.

(ii) Interest received from the director was charged at 7.5% per annum on the amount due from a director.

A shareholder of Autoscale has interests in the related company.

16. DEEMED DISPOSAL OF A SUBSIDIARY

Pursuant to a placing and underwriting agreement dated 9th September, 2004, UPMGL, a former subsidiary of Autoscale issued 1,608 shares of HK$0.01 each at a placing price of HK$0.01 per share. Upon the completion of the placing and underwriting agreement on 13th September, 2004. Autoscale's investment in a subsidiary decreased from approximately 50.67% to 44.61% .

	As at 30th September,		
	2004	**2005**	**2006**
	HK$	*HK$*	*HK$*
Net assets deemed disposal of:			
Property, plant and equipment	6,926,288	–	–
Prepayments and deposits	13,702,560	–	–
Accounts receivable	1,839,226	–	–
Prepayments, deposits and other receivables	12,588,728	–	–
Amount due from a related company	9,854,653	–	–
Cash and bank balances	5,174,016	–	–
Accruals and other payables	(7,427,965)	–	–
Amount due to directors	(35,000)	–	–
Amount due to related company	(390,000)	–	–
Bank overdraft	(151,604)	–	–
Tax payable	(1,234,129)	–	–
Convertible notes	(53,407,887)	–	–
Minority interests	4,579,682	–	–
	(7,981,432)	–	–
Realisation of reserves	(2,733,018)	–	–
Gain on deemed disposal of a subsidiary	18,703,516	–	–
	7,989,066	–	–
Represented by:			
Interests in an associate	7,989,066	–	–

Analysis of the outflow of cash and cash equivalents in connection with the deemed disposal of the subsidiary:

Cash and bank balances	5,174,016	–	–
Bank overdraft	(151,604)	–	–
	5,022,412	–	–

17. GAIN ON PARTIAL DEEMED DISPOSAL OF AN ASSOCIATE

Since UPMGL became an associate of Autoscale on 13th September, 2004 (note 12), UPMGL has, pursuant to various placing and underwriting agreements, issued in aggregate of 763 ordinary shares of HK$0.01 each at placing prices ranging from HK$11,138 to HK$15,600 per share, and, pursuant to share option scheme, issued in aggregate of 1,470 ordinary shares of HK$0.01 each at an issued price of HK$1 per share. As a result, Autoscale's interest in this associate decreased to 42.90%, 39.62% and 38.26% as at 30th September, 2004, 2005 and 2006, respectively. Gain on partial deemed disposal of an associate was arisen accordingly.

18. CONTINGENT LIABILITIES AND COMMITMENTS

Autoscale had no material contingent liabilities and commitments as at 30th September, 2004, 2005 and 2006.

19. FINANCIAL RISKS AND MANAGEMENT

Autoscale's overall risk management programme seeks to minimise potential adverse effects on the financial performance.

(i) Interest rate risk

Autoscale has no significant interest-bearing assets or liabilities. Autoscale's income and cash flows are substantially independent of changes in market interest rates.

(ii) Foreign currency risk

Autoscale does not have any financial assets, financial liabilities, or transactions denominated in foreign currency.

(iii) Credit risk

Autoscale has no concentration of credit risk.

(iv) Liquidity risk

Autoscale manages the availability of funding so as to ensure that its funding needs are met. Source of funding is mainly from shareholders' capital contribution.

20. SUBSEQUENT EVENTS

Subsequent to balance sheet date, UPMGL had issued 229 ordinary shares to shareholders other than Autoscale. Accordingly, Autoscale's interest in an associate has been decreased from 38.26% to 37.71%.

21. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Autoscale in respect of any period subsequent to 30th September, 2006.

Yours faithfully,
Cheung & Siu
Certified Public Accountants
(Practising)
Hong Kong

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from PCP CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group.

PCP CPA Limited
華德匡成會計師事務所有限公司

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Telephone: (852) 2882 8378
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香港北角英皇道510號港運大廈22樓5至6室
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傳真：(852) 3009 8534

26 March 2007

The Directors
Inno-Tech Holdings Limited
Room 903
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES TO THE DIRECTORS OF INNO-TECH HOLDINGS LIMITED

We report on the unaudited pro forma statement of assets and liabilities (the "unaudited Pro Forma Financial Information") of Inno-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Autoscale Resources Limited ("Autoscale") (together with the Group hereinafter referred to as the "Enlarged Group") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 56% issued share capital of Autoscale (the "Proposed Acquisition"), might have affected the financial information presented for inclusion as Appendix III to the circular of the Company dated 26 March 2007 (the "Circular"). The basis of preparation for the unaudited Pro Forma Financial Information is set out on pages 144 to 147 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature,does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 September 2006 or any future date.

OPINION

In our opinion:

- the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
PCP CPA Limited
Certified Public Accountants
Hong Kong

Chua Suk Lin, Ivy
Practising Certificate No.: P02044

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, which has been prepared on the basis of the notes set out below and assuming that the Proposed Acquisition had been completed as at 30 September 2006 for the purpose of illustrating how the Proposed Acquisition might have affected the financial position of the Group at that date.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2006, extracted from its interim report for the six months ended 30 September 2006 and the audited balance sheet of Autoscale as at 30 September 2006 as extracted from the Accountants' Report set out in Appendix II to this circular, after making appropriate pro forma adjustments that are considered necessary as if the Proposed Acquisition had been completed on 30 September 2006.

The unaudited pro forma statement of assets and liabilities is prepared to provide financial information on the Enlarged Group as a result of the Proposed Acquisition. As it is prepared for illustrative purpose only, it may not purport to represent the actual financial position of the Enlarged Group on the completion of the Proposed Acquisition.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group should be read in conjunction with the Accountants' Report on Autoscale as set out in Appendix II to this circular, the historical information on the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

	The Group as at 30 September 2006	Autoscale as at 30 September 2006	Pro forma Adjustments		Enlarged Group Pro forma
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Unaudited)	(Audited)			
Non-current assets					
Property, plant and equipment	10,223	–	–		10,223
Prepaid lease payments	5,765	–	–		5,765
Goodwill	–	–	60,427	(1)	60,427
Intangible assets	24,194	–	–		24,194
Interest in associates	5,236	–	–		5,236
	45,418	–	60,427		105,845
Current assets					
Inventories	7,625	–	–		7,625
Accounts receivable	42,766	–	–		42,766
Prepayment, deposits and other receivables	4,316	–	–		4,316
Amounts due from customers	10,920	–	–		10,920
Pledged deposits	25,000	–	–		25,000
Cash and cash equivalents	240	–	–		240
	90,867	–	–		90,867
Current liabilities					
Bank loan and overdrafts	30,518	–	–		30,518
Trade payables, accrued expenses and other payables	14,714	100	1,300	(2)	16,114
Bills payable	3,523	–	–		3,523
Amounts due to directors	9,078	59	–		9,137
Current taxation	1,551	–	–		1,551
Other loan	9,320	–	–		9,320
	68,704	159	1,300		70,163
Net current assets/(liabilities)	22,163	(159)	(1,300)		20,704

	The Group as at 30 September 2006	Autoscale as at 30 September 2006	Pro forma Adjustments		Enlarged Group Pro forma
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Unaudited)	(Audited)			
Non-current liabilities					
Bank loans	3,876	–	–		3,876
Convertible notes	6,085	–	–		6,085
Deferred taxation	4,499	–	–		4,499
	14,460	–	–		14,460
Net assets/(liabilities)	53,121	(159)	59,127		112,089
Capital and reserves					
Share capital	7,262	1	7,019	(1)	14,282
Reserves	45,859	(160)	52,108	(1)	97,807
	53,121	(159)	59,127		112,089

Notes to the unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

(1) On 5 March 2007, the Company entered into a sale and purchase agreement with the vendors to acquire 56% in the issued share capital of Autoscale for a consideration of HK$58,968,000. The consideration will be satisified by allotment of 351,000,000 ordinary shares of the Company of HK$0.02 each to the vendors at a price of HK$0.168 each.

The unaudited pro forma adjustment of HK$7,019,000 represents the nominal value of 351,000,000 ordinary shares ("Ordinary Shares") of the Company amounting to HK$7,020,000 arising from issuance of the said Ordinary Shares and the elimination adjustment on consolidation of HK$1,000.

The unaudited pro forma adjustment of HK$52,108,000 represents the share premium arising from issuance of the said Ordinary Shares amounting to HK$51,948,000 and the elimination adjustment on consolidation of HK$160,000.

The unaudited pro forma adjustment of HK$60,427,000 represents goodwill arising from the Proposed Acquisition which is arrived as follows:

	HK$'000
Consideration for the Proposed Acquisition	58,968
Add: share of net identifiable liabilities of Autoscale (including the excess of losses over the minority's equity that would be borne by the Group)	159
	59,127
Add: professional fee in relation to the Proposed Acquisition	1,300
	60,427

On completion, the fair value of the attributable share of the identifiable assets, liabilities and contingent liabilities of Autoscale will have to be reassessed. As a result of the reassessment, the amount of goodwill may be different from the amount estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma statement of assets and liabilities. Accordingly, the actual goodwill arising from the Proposed Acquisition may be different from the estimated amount as shown above.

(2) The unaudited pro forma adjustment of approximately HK$1.3 million represents estimated professional fee in relation to the Proposed Acquisition.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts, not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICES

The closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; and (ii) the last trading day in each of the six months before the Latest Practicable Date; and (iii) the Latest Practicable Date.

Date	**Share Price**
	HK$
29 September 2006	0.09
31 October 2006	0.092
30 November 2006	0.162
29 December 2006	0.150
31 January 2007	0.144
28 February 2007	0.180
5 March 2007 (being the Last Trading Day)	0.206
6 March 2007	trading suspended
Latest Practicable Date	0.395

The highest and lowest closing prices of the Shares as quoted on the Stock exchange during the period commencing from six months prior to the Last Trading Day up to and including the Latest Practicable Date were HK$0.43 on 19 March 2007 and HK$0.075 on 27 September 2006, respectively.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company

As at the Latest Practicable Date, the interests or short position of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any 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 and Section 347 of the SFO (including interests or short positions which 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 as required, pursuant to 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 are as follows:

(i) Beneficial interest and short position in Shares as at the Latest Practicable Date:

Name of the Director	Capacity and nature of interest	Shares/equity derivatives	Number/ amount of Shares/equity derivatives held	Percentage of the Company's issued share capital as at the Latest Practicable Date
Ms. Y.Y. Wong *(note 1)*	Corporate	Shares	97,362,000	22.64%
Mr. Wong Kwok Sing *(note 1)*	Corporate	Shares	97,362,000	22.64%
Mr. Robert Wong	Corporate	Shares	97,362,000	22.64%
Mr. Lam Shiu San *(note 1)*	Corporate	Shares	97,362,000	22.64%

Notes:

1. The 97,362,000 Shares are held by Multiturn, which is beneficially owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San, respectively. Accordingly each of Ms. Y.Y. Wong, Mr. Wong Kwok Sing, Mr. Robert Wong, and Mr. Lam Shiu San is deemed to be interested in the 97,362,000 Shares held by Multiturn under the SFO.

(ii) *Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at the Latest Practicable Date:*

Directors	**Date of option granted**	**No. of Shares attached to the option**	**Exercisable period**	**Exercise price per Share** *HK$*
Ms. Y.Y. Wong	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	0.28
	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	0.22
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	0.114
Mr. Robert Wong	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	0.28
	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	0.22
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	0.114
Mr. Wong Kwok Sing	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	0.28
	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	0.22
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	0.114
Mr. Lam Shiu San	5 July 2002	2,400,000	5 July 2002 to 4 July 2012	0.28
	6 January 2004	2,378,500	6 January 2004 to 5 January 2014	0.22
	20 September 2005	2,900,000	20 September 2005 to 19 September 2015	0.114

Save as disclosed, as at the Latest Practicable Date, none of Directors or chief executives of the Company has any interests or short position in the Shares, underlying Shares and debentures of the Company or any 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 of short positions which 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 as required, pursuant to 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.

(b) Director's interest in assets and/or arrangement

Each of Ms. Y.Y. Wong and Mr. Robert Wong being vendors of the Sale Shares are interested in the Sale and Purchase Agreement.

Save as disclosed in this sub-paragraph (b), as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31 March 2006, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any members of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Save as disclosed in this sub-paragraph (b), as at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group as a whole.

(c) Substantial shareholders' interest

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares 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 expected, directly or indirectly, to be interested in 5 % or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group:

The Company

Name	Capacity and nature of interest	Shares/equity derivatives	Number/ amount of Shares/equity derivatives held	Percentage of the Company's issued share capital as at the Latest Practicable Date
Multiturn	Corporation *(Note 1)*	Shares	97,362,000	22.64%
Rexy Investment Limited	Corporation *(Note 2)*	Shares	28,800,000	15.43%

Notes:

1. Multiturn is owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Y. Y. Wong, Mr. Wong Kwok Sing, Mr. Robert Wong and Mr. Lam Shiu San, respectively, all of whom are executive Directors.

2. Rexy Investment Limited is wholly owned by Plotio Limited, which is wholly owned by HyComm Wireless Limited, a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares 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 expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

4. COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in any business which competes or may compete with the business of the Group or have or may have any conflicts with the interests of the Group.

5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

(a) Save for the interests in the Shares and outstanding options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme in the sub-paragraph 1(b) in Appendix I to this circular, none of the Vendor, parties acting in concert with them and their respective directors/managers owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date;

(b) Save for the Proposed Acquisition, none of Multiturn, the Vendors, parties acting in concert with them and their respective directors/managers had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(c) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Vendors or any of their concert parties and other persons in relation to the transfer, charge or pledge of the Consideration Shares that may be allotted and issued to the Vendors under the Agreement;

(d) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Proposed Acquisition and/or the Whitewash Waiver;

(e) As at the Latest Practicable Date, no person with whom the Vendors or any person acting in concert with them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any shares, convertible securities, warrants, options or derivatives in the Company;

(f) As at the Latest Practicable Date, the Company did not have any interest in the shares, convertible securities, warrants, options or derivatives of Multiturn and had not dealt in the shares, convertible securities, warrants, options or derivatives of Multiturn during the Relevant Period;

(g) As at the Latest Practicable Date, each of Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San, all of whom are executive Directors of the Company, was interested in 7,678,500 options to subscribe for Shares granted to him/her under the Pre-IPO Share Option Scheme on 5 July 2002 and under the Post-IPO Share Option Scheme on 6 January 2004 and 20 September 2005, respectively. Each of Ms. Y.Y. Wong, Mr. Wong Kwok Sing, Mr. Robert Wong and Mr. Lam Shiu San are interested in 31.21%, 30.9%, 30.9% and 6.99% of the issued share capital of Multiturn, which is holds approximately 22.64% of the issued share capital of the Company. Details of the interest of Ms. Y.Y. Wong, Mr. Wong Kwok Sing, Mr. Robert Wong and Mr. Lam Shiu San in Multiturn and under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are set out in the paragraph headed "Effect on shareholding structure" in the Letter from the Board in this circular. Each of Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San had not dealt for value in the shares, convertible securities, warranties, options or derivatives of the Company or Multiturn during the Relevant Period. Save as aforesaid, none of the Directors had any interest in the shares, convertible securities, warranties, options or derivatives of the Company or Multiturn as at Latest Practicable Date;

(h) None of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company or Multiturn during the Relevant Period;

(i) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;

(j) As at the Latest Practicable Date, the Vendors were deemed to be interested in 97,362,000 Shares, representing approximately 22.64% of the issued share capital of the Company. As at the Latest Practicable Date, Ms. Wong Yuen Man, Alice, the sister of Ms. Y.Y. Wong, one of the Vendors was interested in 2,900,000 shares, representing approximately 0.67% of the issued share capital of the Company. Save as disclosed above, none of the Vendors, parties acting in concert with them and their respective directors owned or interested in any Shares, convertible securities, warrant, options or derivatives of the Company as at the Latest Practicable Date;

(k) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code;

(l) No benefit (other than statutory compensation) will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Proposed Acquisition and/or the Whitewash Waiver;

(m) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Vendor or any parties acting in concert with them; and (ii) any Directors, recent Directors, the Shareholders, and recent Shareholders having any connection with or dependence upon the Proposed Acquisition and/or the Whitewash Waiver;

(n) Save for the Sale and Purchase Agreement, as at the Latest Practicable Date, there was no agreement, arrangement or understanding between any Director and any other person which is conditional or dependent on the completion of the Proposed Acquisition or otherwise connected with the Proposed Acquisition and/or the Whitewash Waiver;

(o) Save for the Sale and Purchase Agreement, as at the Latest Practicable Date, there was no material contract entered into by the Vendors in which a Director had a material personal interest.; and

(p) As disclosed in sub-paragraph (g) above, apart from the executive Directors, none of the Directors had any interest in any Shares, and each of Ms. Y.Y. Wong, Mr. Robert Wong, Mr. Wong Kwok Sing and Mr. Lam Shiu San, all of whom are executive Directors will abstain from voting on the resolutions relating to the Proposed Acquisition and the Whitewash Waiver at the SGM. Save as disclosed, no Directors intends, in respect of his/her beneficial shareholdings, to vote for or against the resolutions in respect of the Proposed Acquisition and/or the Whitewash Waiver at the SGM.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contacts entered into in the ordinary course of business) were entered into by members of the Enlarged Group during the period commencing two years before the date of the Announcement and ending on the Latest Practicable Date which are or may be material:

(a) three subscription agreements all dated 30 March 2005 entered into between the Company and Ms. Chen Xiao Hong, Mr. Chen Ji and Ms. Au Shuk Chun, respectively, in relation to the subscription of 26,000,000 shares of HK$0.01 each, 12,000,000 shares and 4,000,000 shares by the subscribers at the subscription price of HK$0.05 each share;

(b) the subscription agreement dated 4 July 2005 entered into between the Company and Chest Pacific Group Ltd. in relation to the subscription of the 2008 Convertible Notes for the amount of HK$6,300,000;

(c) two subscription agreements all dated 19 December 2005 entered into between the Company and Mr. Ma She Shing, Albert and Mr. Chen Zhi Cheng in relation to the subscription of an aggregate of 30,000,000 Shares at the subscription price of HK$0.20 each Share;

(d) four sale and purchase agreements all dated 21 December 2005 entered into between Cyberworks Technology Limited, a wholly-owned subsidiary of the Company and four Independent Third Parties in relation to the acquisition of Shops G11A & G11B, G12, G13 and G14 on the Ground Floor of Man On House, 151-163 Wan Chai Road, 12A-C Burrows Street and Nos. 17-27 Cross Lane, Wanchai, Hong Kong for an aggregate consideration of HK$6,100,000;

(e) a memorandum of understanding dated 23 May 2006 entered into between the Company and the Vendors in relation to the sale and purchase of shares in Autoscale, as supplemented by a supplemental memorandum of understanding dated 31 August 2006;

(f) two subscription agreements all dated 23 May 2006 entered into between the Company and Mr. Zhuang Deyin and Mr. Tang Ying Wei in relation to the subscription of 14,000,000 Shares by each of the subscriber at the subscription price of HK$0.20 each Share;

(g) two subscription agreements all dated 15 November 2006 entered into between the Company and Mr. Cen Xiang Wei and Ms. Fan Dong Mei in relation to the subscription of 17,000,000 Shares and 16,500,000 Shares by the subscribers at the subscription price of HK$0.16 each Share;

(h) a placing agreement dated 15 November 2006 entered into between the Company and the Placing Agent in relation to the placing of 33,500,000 Shares by the Placing Agent on a best effort basis at HK$0.16 each Share;

(i) the Sale and Purchase Agreement; and

(j) the Placing Agreement.

8. DIRECTORS' SERVICE CONTRACTS

None of the Directors had service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) have been entered into or amended within 6 months before the date of the Announcement; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which are contained in this circular:

Names	Qualifications
INCU Corporate Finance Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities
Veda Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities

Names	Qualifications
President Securities (Hong Kong) Limited	Licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities
PCP CPA Limited	Certified Public Accountants
Cheung & Siu	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its names in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Enlarged Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong during normal business hours between 9:00 a.m. to 5:00 p.m. on any weekday, except Saturdays and public holidays, up to and including the date of the SGM:

(a) the memorandum and bye-laws of the Company;

(b) the published audited consolidated financial statements of the Group for the two financial years ended 31 March 2006;

(c) the quarterly reports of the Company for the periods ended 30 June 2006, 30 September 2006 and 31 December 2006;

(d) the letter from the Independent Board Committee, the text of which is set out on page 35 of this circular;

(e) the letter from Veda Capital Limited, the text of which is set out on pages 36 to 62 of this circular;

(f) the accountants' report on Autoscale, the text of which is set out in Appendix II to this circular;

(g) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(h) the contracts referred to in the paragraph headed "Material contracts" in this appendix;

(i) the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix; and

(j) the circular of the Company dated 30 June 2006 in respect of proposals for re-election of directors, general mandates to issue shares and to repurchase shares.

Copies of these documents will be available for inspection on the SFC's website at www.sfc.hk and the Company's website at www.it-holdings.com during the period from the date of this circular up to and including the date of the SGM.

11. THE COMPANY'S AUDIT COMMITTEE

The Company's audit committee comprises of three members, namely Mr. Wong Tak Leung, Charles ("Mr. Wong"), Ms. Ho Chui Yin, Liwina ("Ms. Ho") and Mr. Lai Ying Sum ("Mr. Lai"), all of whom are independent non-executive Directors.

Mr. Wong graduated from the University of Hong Kong in 1972 with a bachelor degree of Science and became a Solicitor of the Supreme Court of Hong Kong in 1976, a solicitor of the Supreme Court of England & Wales in 1978, Barrister & Solicitor of Victoria, Australia in 1983, a Notary Public since 1987, Advocate & Solicitor of Supreme Court of Republic of Singapore in 1990. Mr. Wong is currently a partner of Messrs. Lo, Wong & Tsui, Solicitors and a non-executive director of Soundwill Holdings Limited. Mr. Wong has sat as a Temporary Deputy Registrar of the High Court and he is also an Assistant Chief Commissioner of the Scout Association of Hong Kong.

Ms. Ho is a member of the Royal Institution of Chartered Surveyors, member of Hong Kong Institute of Surveyors, Member of Chartered Institute of Arbitrators and associate member of Hong Kong Institute of Arbitrators. Ms. Ho obtained a professional diploma in Quantity Surveying from the University of Hong Kong Polytechnic in 1988 and a degree in Master of Science in Construction Project Management from the University of Hong Kong in 1997. Ms. Ho is currently a resident Quantity Surveyor to Widnell Ltd. Prior to her current position, Ms. Ho has worked for various properly developers and surveyor firms since 1988.

Mr. Lai is the proprietor of Sam Lai & Co., a CPA firm in Central. Mr. Lai was admitted respectively as member and fellow member of the Association of Chartered Certified Accountants in 1994 and 1999. He has over 15 years of experience in auditing and advising different companies. Mr. Lai holds two master degrees, an MBA degree from the University of Edinburgh and a Master of Science Degree in Business Economics from the Chinese University of Hong Kong. Mr. Lai also holds a Bachelor Degree of Laws from the University of London and is a member of the Taxation Institute of Hong Kong.

None of the three audit committee members have served or are serving as directors of other companies listed on the GEM or the Main Board of the Stock Exchange or any other stock exchanges. The function of the Company's audit committee includes, among other things:

(a) to consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the audit fees and terms of engagement, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and

(c) to develop and implement policy on the engagement of an external auditor to supply non-audit services.

12. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company Room 903 Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong.

(c) The company secretary of the Company is Mr. Li Kar Fai, Peter, a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li is also the qualified accountant of the Company.

(d) The compliance officer of the Company is Mr. Robert Wong, an executive Director.

(e) The financial adviser of the Company is INCU Corporate Finance Limited, which is located at Unit 1602, Rottonjee House, 11 Duddell Street, Central, Hong Kong.

(f) The addresses of each of Multiturn, Ms. Y.Y. Wong, Mr. Robert Wong and Ms. Wong Yuen Man, Alice are (i) P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands; (ii) Flat 26B, Monmouth Villa, 3 Monmouth Terrace, Wanchai, Hong Kong; (iii) Flat 27D, Block 4 Tolo Place, Ma On Shan, Shatin, New Territories, Hong Kong; and (iv) Flat 26B, Monmouth Villa, 3 Monmouth Terrace, Wanchai, Hong Kong, respectively.

(g) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

INNO-TECH HOLDINGS LIMITED

匯創控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

NOTICE IS HEREBY GIVEN That a special general meeting of Inno-Tech Holdings Limited (the "Company") will be held at 11:00 a.m. on Wednesday, 11 April 2007 at Conference Room, Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement dated 5 March 2007 entered into between Ms. Wong Yuen Yee ("Ms. Y.Y. Wong") and Mr. Wong Yao Wing, Robert ("Mr. Robert Wong", together with Ms. Y.Y. Wong, the "Vendors") as the vendors and the Company as the purchaser in relation to the sale and purchase of 56 shares of US$1.00 each in the capital of Autoscale Resources Limited for an aggregate consideration of HK$58,968,000 to be satisfied by the issue and allotment of 351,000,000 shares of HK$0.02 each in the capital of the Company (the "Consideration Shares") at the issue price of HK$0.168 per Consideration Share (the "Sale and Purchase Agreement"), a copy of the Sale and Purchase Agreement has been produced to the special general meeting marked "A" and signed for the purpose of identification by the Chairman thereof, be and is hereby confirmed, approved and ratified and the directors of the Company be and are hereby authorised to issue and allot the Consideration Shares to the Vendors as to 175,500,000 Consideration Shares to each of Ms. Y.Y. Wong and Mr. Robert Wong in accordance with the terms and conditions of the Sale and Purchase Agreement; and

(b) any one director of the Company be and is hereby authorised to implement and to take all steps and do any and all acts and things, to sign and execute all such further documents for and on behalf of the Company under hand or under seal, as may be necessary or desirable to give effect to the Sale and Purchase Agreement and any other documents or matters incidental thereto and/or as contemplated thereunder."

2. "**THAT** subject to and conditional upon the passing of resolution number 1 as set out in this notice of the special general meeting, the waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code") to Ms. Y. Y. Wong and Mr. Robert Wong and parties acting in concert with them from their obligations which may arise under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the shares of the Company not already owned by them as a result of the issue and allotment of the Consideration Shares (as defined in resolution

number 1 as set out in this notice of the special general meeting) upon completion of the transaction contemplated under the Sale and Purchase Agreement (as defined in resolution number 1 as set out in this notice of the special general meeting) be and is hereby approved."

3. "**THAT**

(a) the placing agreement dated 5 March 2007 entered into between the Company and President Securities (Hong Kong) Limited as the placing agent in relation to the placing of 100,000,000 shares HK$0.02 each in the capital of the Company (the "Placing Shares") at the placing price of HK$0.168 per Placing Share (the "Placing Agreement"), a copy of the Placing Agreement has been produced to the special general meeting marked "B" and signed for the purpose of identification by the Chairman thereof, be and is hereby confirmed, approved and ratified and the directors of the Company be and are hereby authorised to issue and allot the Placing Shares to the placees in accordance with the terms and conditions of the Placing Agreement; and

(b) any one director of the Company be and is hereby authorised to implement and to take all steps and do any and all acts and things, to sign and execute all such further documents for and on behalf of the Company under hand or under seal, as may be necessary or desirable to give effect to the Placing Agreement and any other documents or matters incidental thereto and/or as contemplated thereunder."

4. "**THAT**

(a) the directors of the Company be and are hereby granted an unconditional mandate to allot, issue and deal with additional shares in the capital of the Company and to allot, issue or grant securities convertible into shares, options, warrants or similar rights to subscribe for any shares in the Company or such convertible securities and to make or grant offers, agreements, and options in respect thereof;

(b) such mandate shall not extend beyond the Relevant Period save that the directors of the Company may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to paragraph (a) above, otherwise then pursuant to:

(i) a Rights Issue;

(ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company;

(iii) the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or

(iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and

(d) for the purpose of this resolution:

"**Relevant Period**" means the period from the passing of this resolution up to:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; or

(iv) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

whichever is the earliest; and

"**Rights Issue**" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or stock exchange in any territory outside Hong Kong)."

By order of the Board
Inno-Tech Holdings Limited
Wong Yuen Yee
Chairman

Hong Kong, 26 March 2007

* *for identification purpose only*

Head office and principal place of business in Hong Kong:
Room 903
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai, Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.

2. Where there are joint registered holders of any Shares, any one of such joint holders may vote at any meeting, either personally or by proxy, in respect of such Shares as if he is solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members in respect of such Shares shall alone be entitled to vote in respect thereof.

3. The form of proxy and power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be delivered to the office of the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish. If a member who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.

4. Pursuant to the bye-laws of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

   (a) by the chairman of the meeting; or

   (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the use for the time being entitled to vote at the meeting; or

   (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting.