THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATELY ATTENTION

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

If you have sold or transferred all your shares in IA International Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

IA INTERNATIONAL HOLDINGS LIMITED

毅興科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 8047)

VERY SUBSTANTIAL ACQUISITION

Financial adviser to the Company

INCU Corporate Finance Limited

Co-financial adviser to the Company

VEDA | CAPITAL
智略資本

A notice convening the special general meeting of the Company to be held at 14/F., Printing House, 6 Duddell Street, Central, Hong Kong on Monday, 13 March 2006 at 11:00 a.m. is set out on pages 131 to 132 of this circular. Whether or not you are able to attend and vote at the special general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the meeting, should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication.

24 February 2006

* *For identification purpose only*

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 at www.hkgem.com 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:

"Acquisition"	the proposed acquisition of the Sale Shares on the terms contained in the Agreement
"Agreement"	the conditional sale and purchase agreement dated 11 January 2006 entered into among the Purchaser, the Vendor and the Guarantors relating to the sale and purchase of the Sale Shares
"associates"	has the same meaning ascribed to such term under the GEM Listing Rules
"Board"	board of the Directors
"Business Day"	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	IA International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration Shares"	new Shares to be issued by the Company as part of the consideration for the Sale Shares payable under the Agreement
"Convertible Notes"	the convertible notes in the principal amount of HK$9.3 million, to be issued by the Company in favour of the Vendor
"Conversion Price"	the initial conversion price of HK$0.19 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Notes
"Conversion Shares"	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Notes
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition

"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Guarantors"	Ms. Cheng Pui Ping and Mr. Lo Ka Tong, the guarantors under the Agreement, are the directors of the Vendor, and together with their associates, are the legal and beneficial owners of 51.82% of the issued share capital of the Vendor
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"INCU"	INCU Corporate Finance Limited, a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under the SFO
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
"Latest Practicable Date"	22 February 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	the listing sub-committee appointed by the Stock Exchange for considering applications for listing and the granting of listing
"Maturity Date"	the date of Maturity of the Convertible Notes, being the date falling two years after the date of issue of the Convertible Notes
"NAV Warranty"	the net asset value warranty to be provided by the Vendor under the Agreement in respect of the audited consolidated net asset value of the Target Group as at 31 March 2006 will not be less than HK$13.8 million
"Noteholder"	the holder of the Convertible Notes
"PCB"	printed circuit board, a flat plate or base of insulating material containing a pattern of conducting materials which becomes an electrical circuit when components are attached and soldered to it
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"Profit Guarantee"	the profit guarantee to be provided by the Vendor under the Agreement in respect of the audited net consolidated profits after tax and any extraordinary or exceptional items of the Target Group for the year ending 31 March 2006 will not be less than HK$5 million
"Promissory Note"	the promissory note in the principal amount of HK$13.7 million to be executed by the Company in the favour of the Vendor for the purpose of settling partially the consideration for the Sale Shares under the Agreement
"Purchaser"	Great Plan Group Limited, a company incorporated in BVI and a wholly owned subsidiary of the Company
"Sale Shares"	37,500 shares, being the entire issued share capital of the Target legally and beneficially owned by the Vendor
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Union Bridge Group Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by the Vendor before Completion
"Target Group"	the Target and its subsidiaries upon Completion
"Twelve Shareholders of the Vendor"	Orient Wiser Enterprises Ltd., New Mileage Limited, China Olympic Limited, Po Kam Hi John, Ma She Shing, Albert, Rosso Holdings Ltd., Chan Tim Hung, Kwong Fat Pui, Law Tak Cheong, Bestrade Technologies Limited, Leung Suk Fong Florence and Ying Wing Cheung which owns as to approximately 20.00%, approximately 5.20%, approximately 5.00%, approximately 4.11%, approximately 4.05%, approximately 2.73%, approximately 1.88%, approximately 1.50%, approximately 1.24%, approximately 1.23%, approximately 0.94% and approximately 0.30% of the entire issued shares capital of the Vendor respectively

"Veda"	Veda Capital Limited, a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under the SFO
"Vendor"	Union Bridge Power Systems Limited, a company incorporated in the Cayman Islands, the sole beneficial shareholder of the Target prior to Completion and the vendor of the Sale Shares
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

IA INTERNATIONAL HOLDINGS LIMITED

毅興科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

Executive Directors:
Mr. Wan Kin Chung *(Chairman)*
Mr. Zhang Fulin *(Deputy chairman)*

Independent non-executive Directors:
Mr. Wong Hou Yan, Norman
Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Chan Wing Chiu

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

Head office and principal place of business in Hong Kong:
Unit A, 15th Floor
Long To Building
654 & 656 Castle Peak Road
Lai Chi Kok
Kowloon
Hong Kong

24 February 2006

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

On 23 January 2006, the Board announced that Great Plan Group Limited, a wholly owned subsidiary of the Company, entered into the Agreement to acquire from the Vendor, the Sale Shares, for a total consideration of HK$32 million (subject to adjustment).

The consideration for the sale and purchase of the Sale Shares shall be satisfied by the Purchaser in the following manner: (i) HK$9.0 million by procuring the Company to allot and issue the Consideration Shares at an issue price of HK$0.12 per Consideration Share, credited as fully paid, representing approximately 25% of the existing issued share capital of the Company and approximately 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (ii) HK$9.3 million by procuring the Company to issue Convertible Notes; and (iii) HK$13.7 million by procuring the Company to issue Promissory Note.

* *For identification purpose only*

The purpose of this circular is to provide you with further information of the Acquisition and to seek approval from the Shareholders for the Acquisition and any transactions contemplated thereby, including the allotment and issue of the Consideration Shares and the issue of the Convertible Notes.

THE AGREEMENT

Date:	11 January 2006
Parties:	
Purchaser:	Great Plan Group Limited, a wholly owned subsidiary of the Company
Vendor:	Union Bridge Power Systems Limited, a company incorporated in the Cayman Islands as an investment holding company on 20 August 2001. Each of the Vendor and its ultimate beneficial owners is an Independent Third Party. As at the Latest Practicable Date, the entire equity interests of the Vendor is beneficially owned as to approximately 51.82% by the Guarantors and as to the balance of 48.18% by the Twelve Shareholders of the Vendor. To the best of the Directors' knowledge, information and belief, (i) each of the Twelve Shareholders of the Vendor and their respective ultimate beneficial owners is a third party independent of the Guarantors and connected persons of the Guarantors; and (ii) the Guarantors and the Twelve Shareholders of the Vendor are not parties acting in concert (as defined in the Takeovers Code) with each others.
Warrantors:	The Guarantors act as the joint warrantors to jointly and severally guarantee in favour of the Purchaser the due and punctual performance of the Vendor under the Agreement.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares, being 37,500 shares of US$0.10 each in the share capital of the Target, representing the entire issued share capital of the Target.

Consideration

The total consideration for the Sale Shares is HK$32 million (subject to adjustment as set out under the section headed "Profit Guarantee and NAV Warranty" in this circular) and shall be settled by the Purchaser in the following manner:

(i) as to HK$9.0 million by procuring the Company to allot and issue the Consideration Shares at an issue price of HK$0.12 per Consideration Share, credited as fully paid;

(ii) as to HK$9.3 million by procuring the Company to issue the Convertible Notes; and

(iii) as to HK$13.7 million by procuring the Company to issue the Promissory Note.

The issue price of HK$0.12 per Consideration Share represents: (i) a discount of approximately 36.84% to the closing price of HK$0.19 per Share as quoted on the Stock Exchange on 11 January 2006, being the date of the Agreement; (ii) a discount of approximately 36.84% to the average closing price of approximately HK$0.19 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 11 January 2006, being the date of the Agreement; (iii) a discount of approximately 36.84% to the average closing price of HK$0.19 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 11 January 2006, being the date of the Agreement; (iv) a discount of approximately 38.46% to the closing price of HK$0.195 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (v) a premium of approximately 130.77% to the net asset value per Share of HK$0.052 based on the unaudited consolidated management accounts of the Group as of 30 September 2005.

Taking into account that: (i) that there is no immediate cash outlay of the Acquisition in terms of the payment schedule; (ii) the low liquidity of the issued Shares; and (iii) the issue price of the Consideration Shares represents a premium of approximately 130.77% to the net asset value per Share of HK$0.052 based on the unaudited consolidated management accounts of the Group as of 30 September 2005, the Directors consider the issue price of HK$0.12 per Consideration Share, which represents a discount of approximately 38.64% to the closing price per Share as quoted on the Stock Exchange on 11 January 2006, to be reasonable.

The consideration for the Acquisition represents a price earning multiple of 6.4 times of the guaranteed profit under the Profit Guarantee and approximately 2.15 times the unaudited consolidated net asset value of the Target Group as at 30 September 2005, and a premium of approximately HK$17 million or 115% over the unaudited consolidated net asset value of the Target Group as at 30 September 2005, the consideration of the Acquisition is determined after arm's length negotiation between the Purchaser and the Vendor after considering: (i) the Profit Guarantee and the NAV Warranty given by the Vendor; and (ii) the Directors' belief that the Acquisition will provide a stable income source to the Group and will also provide the Group with an opportunity to benefit from the cost and operation efficiency and other synergy effect arising from the sharing of the research and development resources, technical know-how and management expertise between the Group and the Target Group. The Board considers the consideration of the Acquisition to be fair and reasonable.

Profit Guarantee and NAV Warranty

The Vendor has guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation and extraordinary or exceptional items of the Target Group for the year ending 31 March 2006 (the "**Net Profit**") shall not be less than HK$5 million (the "**Guaranteed Profit**"). In the event the Guaranteed Profit is not achieved, the amount of total consideration will be adjusted downwards accordingly by setting off against the payment obligations of the Company under the Promissory Note on a dollar to dollar basis in an amount (the "**Profit Guarantee Set Off Amount**") equivalent to the shortfall which will be equal to the difference between the actual Net Profit and the Guaranteed Profit times the price earning multiples of 6.4.

The Vendor has also guaranteed and warranted to the Purchaser that the audited consolidated net asset value of the Target Group as at 31 March 2006 (the "**NAV**") shall not be less than HK$13.8 million (the "**Guaranteed NAV**"). In the event the Guaranteed NAV is not achieved, the amount of total consideration of the Acquisition will be adjusted downwards accordingly by setting off against the payment obligations of the Company under the Promissory Note on a dollar to dollar basis in an amount (the "**NAV Guarantee Set Off Amount**") equivalent to the shortfall which will be equal to the difference between the Guaranteed NAV and the actual NAV.

In view of: (i) the consideration of the Acquisition is calculated based on the unaudited consolidated net asset value of the Target Group as at 30 September 2005 and the Guaranteed NAV is calculated based on the unaudited consolidated net asset value of the Target Group as at 31 March 2006; and (ii) the Vendor has already provided the Profit Guarantee and the NAV Warranty is only an additional warranty to the Purchaser, the Vendor and the Purchaser consider that the NAV Guarantee Set Off Amount should not be multiplied by 2.15.

If the Profit Guarantee Set Off Amount and the NAV Guarantee Set Off Amount exceed the amount payable under the Promissory Note, the Vendor will then set off against the principal amount payable under the Convertible Notes on a dollar to dollar basis equivalent to the shortfall of the difference between the sum of the Profit Guarantee Set Off Amount and the NAV Guarantee Set Off Amount and the amount payable under the Promissory Note.

In any event, the minimum consideration payable by the Purchaser under the Acquisition will not be less than Guaranteed NAV.

Further announcement will be made by the Company in the event that the actual Net Profit is less than the Guaranteed Profit or the actual NAV is less than the Guaranteed NAV.

Conditions precedent

Completion is subject to, among other things, the following conditions having been fulfilled or waived (as the case may be):

(a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group;

(b) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Guarantors in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(c) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor credited as fully paid and the issue of the Convertible Notes to the Vendor;

(d) the passing by the shareholders of the Vendor at an extraordinary general meeting of the Vendor to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder;

(e) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) in relation to the transaction contemplated under the Agreement;

(f) the warranties given by the Vendor under the Agreement remaining true and accurate in all respects;

(g) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares and the Conversion Shares; and

(h) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Consideration Shares and the Conversion Shares.

Conditions (a), (e) and (f) are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive any of the conditions above.

Completion

Completion shall take place at 4:00 p.m. on the second Business Day after all the conditions of the Agreement having been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

The Company will issue the Consideration Shares, the Convertible Notes and the Promissory Note on the Completion Date.

The issue of the Consideration Shares and the issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes will not result in a change of control of the Company.

Long-stop date

The Agreement provides that should the satisfaction of all the above conditions, if not waived by the Purchaser, not occur on or before 12:00 noon on 31 March 2006 or such later date as the Purchaser may agree, either orally or in writing, the Agreement shall terminate.

TERMS OF CONSIDERATION SHARES

75,000,000 Consideration Shares will be issued at an issue price of HK$0.12 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, the record date for which falls on or after the date of such allotment and issue.

The Consideration Shares represent: (i) approximately 25% of the existing issued share capital of the Company; (ii) approximately 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 17.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes. The Consideration Shares will be issued pursuant to the specific mandate to be sought at the SGM.

Non-disposal of Consideration Shares

The Vendor undertakes to and covenants with the Purchaser that: (a) it will not, within the period commencing on the Completion Date and ending on the date falling six months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares; and (b) it will not, without the prior written consent of the Purchaser, within a further six months commencing on the expiry of the said six month period transfer or otherwise dispose of or create any encumbrance or other rights in respect of any Consideration Shares if, immediately following such disposal, the Vendor would cease to be a substantial shareholder (as defined in the GEM Listing Rules). The consent of the Purchaser for the disposal of the Consideration Shares will be subject to further undertakings to be provided by the transferee(s) upon the disposal of the Consideration Shares.

Application for listing

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

TERMS OF CONVERTIBLE NOTES

The terms of the Convertible Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$9.3 million

Interest

The Convertible Notes will not bear any interest.

The Directors consider that a non-interest bearing term on the Convertible Notes will be to the benefit of the Company. As such, the Directors negotiated with the Vendor on such basis and the non-interest bearing term was subsequently agreed by the Vendor.

Maturity

A fixed term of two years from the date of issue of the Convertible Notes. Unless previously redeemed, converted or cancelled as provided in the agreement pursuant to which the Convertible Notes were issued, the Company shall redeem the outstanding principal amount of the Convertible Notes on the maturity date.

Conversion

The Noteholders may convert the whole or part (in multiples of HK$1 million) of the principal amount of the Convertible Notes into new Shares at the Conversion Price from the period after six months from the issue date up to the Maturity Date.

Conversion Price

The Conversion Price is HK$0.19 per Conversion Share subject to the adjustments for change in the share capital of the Company, including but not limited to the subdivision, consolidation and bonus issue of Shares.

The Conversion Price represents (i) the closing price of HK$0.19 per Share as quoted on the Stock Exchange on 11 January 2006, being the date of the Agreement; (ii) the average closing price of approximately HK$0.19 per Share as quoted on the Stock Exchange for the last five trading days up to and including 11 January 2006, being the date of the Agreement; (iii) the average closing price of HK$0.19 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 11 January 2006, being the date of the Agreement; (iv) a discount of approximately 2.56% to the closing price of HK$0.195 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (v) a premium of approximately 265.38% over the net asset value per Share of HK$0.052 based on the unaudited consolidated management accounts of the Group as of 30 September 2005.

The issue price of the Consideration Shares and the Conversion Price are different as there is a timing difference as to when the Consideration Shares and the Conversion Shares will be allotted and issued by the Company. The Consideration Shares are issued immediately upon Completion, while the Conversion Shares will be allotted and issued upon the exercise of the conversion rights under the Convertible Notes commencing from six months from the issue date to the Maturity Date. Given the time factor, the Directors consider appropriate to set the Conversion Price at the amount different from the issue price of the Consideration Shares.

The Conversion Price was determined by the Purchaser and the Vendor on an arm’s length basis with reference to the current market price of the Shares and the conversion period of the Convertible Notes.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes in the aggregate principal amount of HK$9.3 million at the Conversion Price by the Noteholders, the Company will issue an aggregate of 48,947,368 new Shares, representing approximately (i) 16.32% of the existing issued share capital of the Company, (ii) 13.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) 11.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the SGM.

Early redemption

The Company could, at its option, redeem the Convertible Notes in whole or in part at a redemption premium of 5% of the amount to be redeemed by giving a prior ten Business Days' written notice to the Noteholders, at any time commencing six months after the Completion Date and prior to the maturity date.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Status of the Convertible Notes

The Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

With the prior notification to the Company, the Convertible Notes may be transferred or assigned by the Noteholders to any party other than a connected person of the Company.

Voting rights

The Convertible Notes do not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

TERMS OF PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$13.7 million

Interest

The Promissory Note will not carry any interest.

The Directors consider that a non-interest bearing term on the Promissory Note will be to the benefit of the Company. As such, the Directors negotiated with the Vendor on such basis and the non-interest bearing term was subsequently agreed by the Vendor.

Maturity

A fixed term of two years from the date of issue of the Promissory Note.

Early repayment

The Company could, at its option, repay the Promissory Note in whole or in part in multiples of HK$1 million by giving a prior ten Business Days' written notice to the Vendor, commencing on the date three months after the Completion Date and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the Promissory Note for any early repayment.

Assignment

With the prior notification to the Company, the Promissory Note may be transferred or assigned by the holder of the Promissory Note to any party other than a connected person of the Company.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company before Completion, immediately after Completion but before conversion of Convertible Notes and immediately after issuance of Conversion Shares (assuming full conversion of Convertible Notes):

	Before Completion		Immediately after Completion but before conversion of Convertible Notes		Immediately after issuance of Conversion Shares (assuming full conversion of Convertible Notes)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Starryland Profits Limited Note 1	202,500,000	67.50	202,500,000	54.00	202,500,000	47.77
The Vendor	0	0.00	75,000,000	20.00	123,947,368	29.24
Public	97,500,000	32.50	97,500,000	26.00	97,500,000	22.99 Note 2
Total:	300,000,000	100.00	375,000,000	100.00	423,947,368	100.00

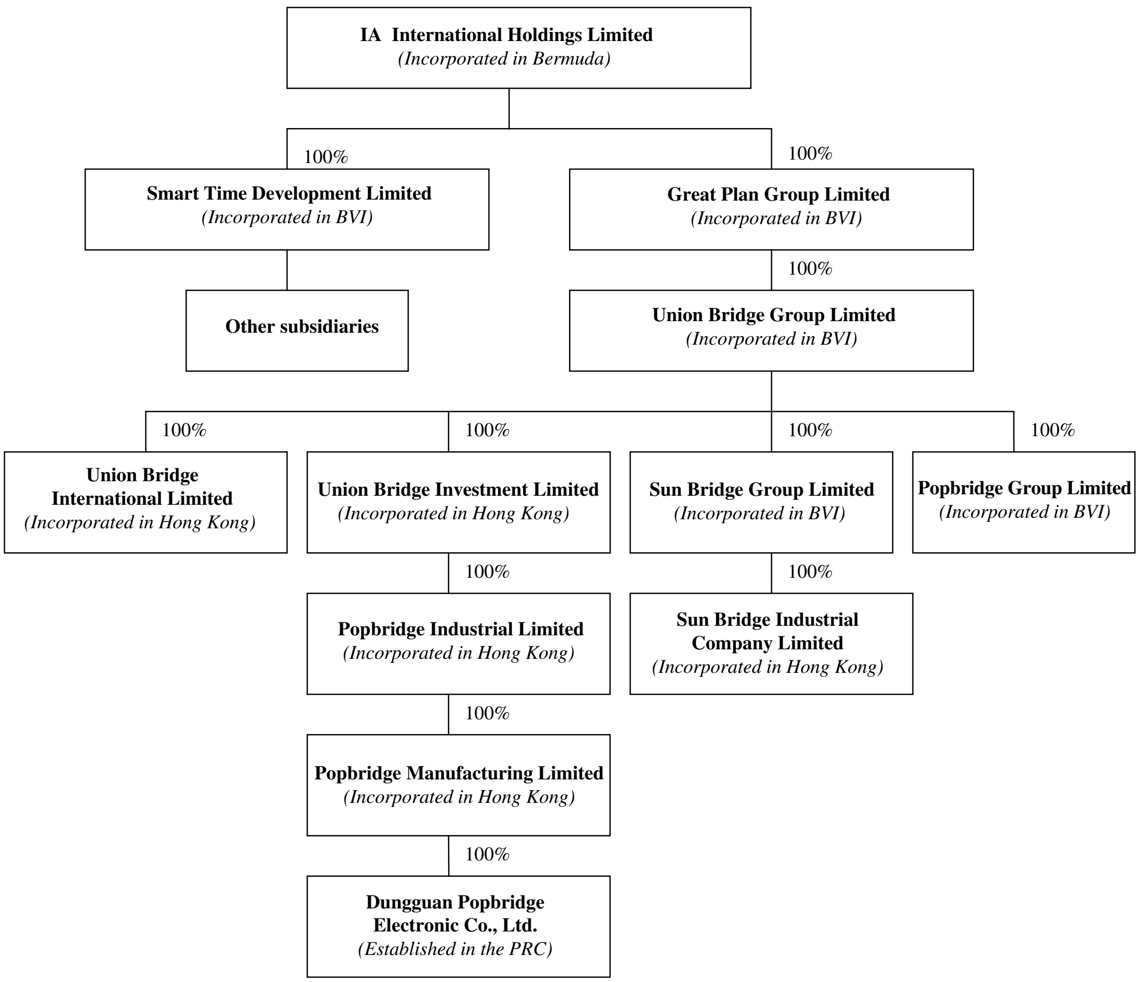
Notes:

1: Starryland Profits Limited, a company incorporated in BVI and is wholly and beneficially owned by Mr. Lau Kim Hung, Jack.

2: The Vendor has provided an undertaking to the Company not to exercise the conversion rights under the Convertible Notes to the extent that the Company's public float would fall below 25%.

Group structure

The diagram below shows the group structure immediately after Completion:



BOARD REPRESENTATION OF THE COMPANY

Upon Completion, the Vendor has no present intention to nominate any representative to the Board as a result of the Acquisition.

INFORMATION OF THE TARGET GROUP

Background information

The Target Group's business was founded in 1989. The Target Group is one of the leading one-stop providers in the electronics industry and is principally engaged in providing a full range of design and engineering as well as manufacturing services to high-end brand-named users in the industry. Its products include power system within high-end electronic products such as medical equipment, satellite and telecommunication systems, local area networks, office automation systems and/or related semi-finished/ finished products. The Target Group is principally engaged in: (i) the provision of design and engineering services which includes design of prototypes, design reviews and safety assurance services; (ii) the manufacturing and assembly of PCB and the production of finished products employing manual workmanship, soldering machines, automatic winder equipment, auto-insertion machines, surface mount equipment, auto power testers and burn-in facilities; and (iii) the offering of a variety of after sales services to its customers which includes failure analysis and warranty services, product repair and upgrade services, a product end-of-life maintenance program and value engineering and value analysis services.

According to the audited consolidated accounts of the Target Group (which were prepared in accordance with generally accepted accounting principles in Hong Kong) provided by the Vendor, the Target Group recorded an audited consolidated profit before taxation of approximately HK$1.98 million and audited consolidated profit after taxation of approximately HK$2.64 million for the year ended 31 March 2004; and audited consolidated profit before taxation of approximately HK$1.48 million and audited consolidated profit after taxation of approximately HK$0.73 million for the year ended 31 March 2005.

The audited consolidated net liabilities of the Target Group as at 31 March 2005 was approximately HK$4.68 million. The Vendor has been the investment holding company of the Target Group and has obtained financial resources for the Target Group in the form of equity as well as convertible notes in the past years to finance the operations of the Target Group. In August 2005 and September 2005, the Target has capitalised the shareholder's loan in the amount of approximately HK$18.75 million owed to the Vendor. In view of the working capital requirements of the Target Group, the director of the Target believes that it is in the best interest of the Target to capitalise the shareholder's loan owed to the Vendor and convert the same as the share capital and share premium of the Target. The director of the Target also considers that the capitalisation will enlarge the capital base of the Target, reduce the gearing level of the Target Group and thereby further strengthen the financial position of the Target Group.

According to the unaudited consolidated management accounts of the Target Group provided by the Vendor, the Target Group recorded consolidated profit before taxation of approximately HK$2.17 million and consolidated profit after taxation of approximately HK$2.55 million for the six months ended 30 September 2005; and the unaudited consolidated net assets of the Target Group as at 30 September 2005 was approximately HK$14.88 million.

Management discussion and analysis of the results of the Target Group

Set out below is a summary of the key financial data of the Target Group, which are extracted from the accountants' report on the Target Group contained in Appendix I to this circular.

	Year ended 31 March			**Six months ended 30 September**
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Results				
Turnover	55,354	48,107	48,387	34,920
Gross profit	18,148	16,403	17,903	8,743
Profit before tax	3,958	1,978	1,479	2,173
Net profit for the year/period	3,167	2,638	727	2,553

	As at 31 March			**As at 30 September**
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Assets and liabilities				
Non-current assets	21,984	22,956	24,196	30,556
Current assets	40,172	42,429	56,665	66,179
Current liabilities	65,179	66,792	79,918	75,688
Non-current liabilities	5,017	3,995	5,618	6,166
Net (liabilities)/assets	(8,040)	(5,402)	(4,675)	14,881

Financial and business performance

Year ended 31 March 2003

Turnover for the year reached approximately HK$55.4 million, of which approximately 89% of the total turnover was generated from manufacturing services and approximately 11% was from design and engineering services, with gross profit at approximately HK$18.1 million. During the year, the major operating costs included salaries and allowances, depreciation expenses and operating lease expenses. Moreover, the Target Group also recorded compensation from a customer of approximately HK$4.6 million which led to higher net profit margin during the year.

Year ended 31 March 2004

The Target Group achieved a turnover of approximately HK$48.1 million, of which approximately 88% of the total turnover was generated from manufacturing services and approximately 12% was from design and engineering services, with gross profit at approximately HK$16.4 million. These represented decreases of approximately 13.2% and 9.4% respectively as compared to those of 2003. According to the directors of the Target Group, the decrease in turnover was mainly attributable to the slow down of global economic environment during and after the military actions taken by the US government in Iraq in 2003. Moreover, the outbreak of SARS in Hong Kong and East Asia had affected significantly the Target Group's business for over 5-6 months as some of the projects had been delayed and/or cancelled at that time. Despite the difficult business environment during the year, the Target Group has carried out various cost containment measures to reduce operating expenses. Therefore, the net profit margin remained similar to that of the last year.

Year ended 31 March 2005

The Target Group achieved a turnover of approximately HK$48.4 million, of which approximately 87% of the total turnover was generated from manufacturing services and approximately 13% was from design and engineering services, and gross profit of approximately HK$17.9 million, which are similar to that of the previous year. During the year, the Target Group has been working with new business partners for product development and has started trial run for extended product lines. The Target Group recorded less other income and made provision for taxation for some of subsidiaries during the year which together led to a decrease in net profit during the year.

Six months ended 30 September 2005

The Target Group achieved a turnover of approximately HK$34.9 million, of which approximately 95% of the total turnover was generated from manufacturing services and approximately 5% was from design and engineering services, and gross profit of approximately HK$8.7 million. During the period, the turnover increased by approximately 44.3%, the gross profit decreased by approximately 2.3% and the net profit increased by 602% on an annualised basis as compared to those of 2005. The increase in turnover is mainly due to the beginning of mass production of the extended product lines for the new business partners of the Target Group. Moreover, product mix of the Target Group has been changed with a greater proportion of turnover being generated from manufacturing services which has a relatively lower gross profit margin than that of design and engineering services.

Financial resources and liquidity

The Target Group's capital structure as at 31 March 2005 consisted of shareholders' equity of minimal amount, a net liabilities of approximately HK$4.68 million and bank borrowings of approximately HK$49.4 million, compared to shareholders' equity of minimal amount, a net liabilities of approximately HK$5.4 million and bank borrowings of approximately HK$31.0 million as at 31 March 2004.

The audited consolidated net liabilities of the Target Group as at 31 March 2005 was approximately HK$4.68 million. The Vendor has been the investment holding company of the Target Group and has obtained financial resources for the Target Group in the form of equity as well as convertible notes in the past years to finance the operations of the Target Group. In August 2005 and September 2005, the Target has capitalised the shareholder's loan in the amount of approximately HK$18.75 million owed to the Vendor. In view of the working capital requirements of the Target Group, the director of the Target believes that it is in the best interest of the Target to capitalise the shareholder's loan owed to the Vendor and convert the same as the share capital and share premium of the Target. The director of the Target also considers that the capitalisation will enlarge the capital base of the Target, reduce the gearing level of the Target Group and thereby further strengthen the financial position of the Target Group.

According to the audited consolidated management accounts of the Target Group provided by the Vendor, the Target Group recorded consolidated profit before taxation of approximately HK$2.17 million and consolidated profit after taxation of approximately HK$2.55 million for the six months ended 30 September 2005; and the audited consolidated net assets of the Target Group as at 30 September 2005 was approximately HK$14.88 million.

For each of the three years ended 31 March 2003, 2004 and 2005 and the six months ended 30 September 2005, the cash flow generated from/(used in) operating activities amounted to approximately HK$15.6 million, HK$7.5 million, HK$(5.2) million and HK$0.9 million.

Cash and cash equivalent

As at 31 March 2005, bank deposits amounted to approximately HK$11.9 million, out of which approximately HK$11.2 million was pledged as collateral for the Target Group's banking facilities.

Number of employees and remuneration policies

The Target Group has about 432 employees. Total salary and bonuses amounted to about HK$11.4 million in 2005 compared to approximately HK$10.9 million and approximately HK$13.3 million in 2004 and 2003 respectively. The Target Group's remuneration policy includes a bonus scheme that is based on performance.

Board representation of the Target Group

Upon Completion, representatives will be appointed by the Company to form a majority of the board of the Target.

Existing business of the Target Group

As a result of such Acquisition, the Directors do not expect that there will be any material adverse change on the customer profile, operation status and quality of services delivered to its customers by the Target Group.

The Directors have no current intention to materially change the existing management team of the Target Group except for the board of the Target in order to ensure a smooth transition upon Completion.

REASONS FOR THE ACQUISITION

The Purchaser is an investment holding company. The Group is principally engaged in the research, development and provision of information-on-demand system solutions and the provision of related products and services.

Both the Group and the Target Group are engaged in the electronics industry and are the providers of various electronics devices. In terms of the scope of services, the Group is principally engaged in research and development, provision of system solutions, provision of other related products and services whereas the Target Group is principally engaged in the provision of design and engineering services, the manufacturing and assembly of PCB, the production of finished products employing manual workmanship and the offering of a variety of after sales services to its customers. In terms of the types of products provided, the Group mainly provides internet appliances and related products, which targets customers mainly in the educational sector and internet users whereas the Target Group mainly design and manufactures power devices, thermal controller and other electronics products, which targets customers mainly in the medical sector, industrial printer sector, instrument sector, power systems industry and communication sectors.

As stated in the Company's Interim Report 2005/2006, owing to the intense competitive environment in the electronics business and the less than satisfactory market response to Group's existing products, the Group would further expand its business scope, diversify its revenue base, and develop new products as well as new markets in the future as part of the Company's strategy. Capitalizing on the Group's expertise on research and development and manufacturing of electronic and internet-related high-end products, the Directors believe that by expanding into the research and development and production of a wider variety of high-end products by the Acquisition, which is expected to provide a higher margin, could enhance the overall competitiveness of the Group's existing business and bring a better return to the Shareholders so as to benefit the Company and the Shareholders in the long run.

Based on its unaudited consolidated financial statements for the six months ended 30 September 2005, the gross profit margin of the Group was approximately 10.4%. Based on its unaudited consolidated financial statements for the six months ended 30 September 2005, the gross profit margin of the Target Group was approximately 25.0%. As the directors of the Vendor expect that the Target Group will maintain a similar gross profit margin in year 2006 and the accounts of the Target Group will be consolidated in the financial statements of the Group, it is expected that the Group will record a higher margin upon Completion.

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

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Group and the accounts of the Target Group will be consolidated into the accounts of the Group. In view of the future prospects of the Target Group and the customer profile, the Directors consider that the Acquisition will enhance the Group's overall business performance, strengthen its revenue base and diversify its business risk by enlarging its product base. Taking into account the benefits of the Acquisition as described above, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Moreover, the Board also considers that the payment terms of Acquisition provide flexibility to the Group in fulfillment of its payment obligation. The Directors consider that by a combination of issue of Consideration Shares, Convertible Notes and Promissory Note for the payment of the consideration of the Acquisition, the Company could acquire the Target Group with no immediate cash outlay and the flexibility in making future payment in form of: (i) early redemption of Convertible Notes at the option of the Company; or (ii) early repayment of the Promissory Note at the option of the Company. In addition, the issue of Consideration Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes would also strengthen the shareholding base of the Company.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, all the members of the Target Group will become wholly-owned subsidiaries of the Group and the accounts of the Target Group will be consolidated into the accounts of the Group.

The Group had an audited net asset value of approximately HK$16.8 million and an audited net tangible asset value of approximately HK$29.9 million as at 31 March 2005. The Acquisition would increase the net asset value of the Group. As shown in the pro forma financial information of the Enlarged Group contained in Appendix III to this circular, a goodwill of HK$17.1 million is estimated on the assumption that the fair value of the net assets of the Target Group is the same as their carrying amount as at 30 September 2005. The amount of goodwill to be recorded will depend on the fair value of the net assets of the Target Group to be determined on Completion. The goodwill reflects the recognition of excess of the consideration of the Acquisition, which amounts to HK$32.0 million, over the Group's 100% interests in the fair value of the Target Group's net assets amounting to HK$14.9 million as at 30 September 2005. According to the accounting policy of the Group, the goodwill is subject to impairment test each year. If no material impairment is found for the year, the goodwill will be stated at cost for the year.

Since HK$23.0 million in form of Convertible Notes and Promissory Note were used to pay part of the consideration of the Acquisition, the level of non-current liabilities and reserves of the Enlarged Group will increase upon Completion.

As Consideration Shares will be issued upon Completion, the amount of share capital and share premium will be increased.

The Group recorded an audited turnover of approximately HK$38.9 million and loss attributable to Shareholders of approximately HK$23.1 million for the year ended 31 March 2005. The Group recorded an unaudited turnover of approximately HK$15.8 million and loss attributable to Shareholders of approximately HK$1.3 million for the six months ended 30 September 2005. The Target Group recorded an audited consolidated turnover of approximately HK$48.4 million and consolidated profit after tax and minority interest of approximately HK$0.7 million for the year ended 31 March 2005. The Target Group recorded an audited consolidated turnover of approximately HK$34.9 million and consolidated profit after tax and minority interest of approximately HK$2.6 million for the six months ended 30 September 2005. Given the historical financial performance of the Target Group, the Acquisition is expected to enhance the revenue and earnings base of the Group.

PROSPECT OF THE ENLARGED GROUP

Prospects of the Group

With the change in the composition of the Board in August 2005, following the completion of the acquisition of the securities in the Company by Starryland Profits Limited (please refer to the various announcements dated 24 August 2005, 16 August 2005, 3 August 2005 and 14 July 2005 for details), the new Board is presently conducting a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long term strategy and plan for the Group. The Board has not decided on the future development of the business of the Group at present, but with the Board's technical and management expertise, the Board is optimistic that there will be a promising potential for the products and services of the Group and the Group could explore more business opportunities in the long run. Going forward, the Group will look for other opportunities to diversify its revenue base, explore new markets and develop new products. The Group will also explore investment opportunities so as to optimize the shareholders' interests.

Prospects of the Target Group

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

Moreover, the directors of the Target Group expected that the Target Group would benefit from the worldwide trend in the electronics industry with the following characteristics:–

- quick response to market development
- strong research and development
- short lead time and just-in-time delivery
- customers to outsource its research and development and manufacturing function while attempting to integrate the outsourced part(s) with its own business
- logistic and supply chain management
- ability for product transfer and/or production transfer

In response to the industry trend, in the medium to long term, the Target Group has the strength and is well-positioned to continue its strategy of developing seamless partnership with selected customers which requires (1) working hand in hand with customers throughout its production cycle; (2) strong research and development and flexibility in modifying the standard platform into high-end custom products; (3) expanding the production of electronics device for high-end products to semi-finished goods or finished goods for selected category of products for selected brand-named customers; and (4) undertaking a total management concept to carry out logistics function from sourcing and procurement to ultimate distribution of the end-products to customers.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Acquisition constitutes a very substantial acquisition pursuant to Rule 19.06(5) of the GEM Listing Rules. Accordingly, the Acquisition and any transactions contemplated thereby, including the allotment and issue of the Consideration Shares and the issue of Convertible Notes are subject to the approval of the Shareholders at the SGM. The Directors are not aware of any Shareholders who are interested in the Acquisition and are required to abstain from voting at the SGM.

SGM

Set out on pages 131 to 132 is a notice convening the SGM to be held at 14/F., Printing House, 6 Duddell Street, Central, Hong Kong on Monday, 13 March 2006 at 11:00 a.m. at which ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions pointed thereon to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the 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 should you so wish.

RECOMMENDATION

The Board considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
IA International Holdings Limited
Wan Kin Chung
Director

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

Cheung & Siu **Certified Public Accountants**
張、蕭會計師事務所

Room A
15th Floor
Fortis Bank Tower
77-79 Gloucester Road
Wanchai
Hong Kong

24th February, 2006

The Board of Directors
IA International Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Union Bridge Group Limited ("Union Bridge") and its subsidiaries (hereafter collectively referred to as the "Union Bridge Group") for the three years ended 31st March, 2005 and for the six months ended 30th September, 2005 (the "Relevant Periods") for inclusion in the circular of IA International Holdings Limited (the "Company") dated 24th February, 2006 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Union Bridge (the "Acquisition").

Union Bridge was incorporated in the British Virgin Islands ("BVI") on 27th August, 2001 with limited liability under the International Business Companies Act (Cap. 291) of the BVI and acted as an investment holding company. The registered office and principal place of business of Union Bridge are located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI and Room 1805-06, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong, respectively. As at the date of this report, Union Bridge has the following subsidiaries, all of which are private limited companies or if incorporated/established outside Hong Kong, have substantially the same characteristics as a private limited company in Hong Kong.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Attributable equity interest held by Union Bridge		Principal activities
			Directly	Indirectly	
Union Bridge Investment Limited ("UBIL")	Hong Kong 30th April, 1991	Ordinary HK$80,767	100%	–	Investment holding and trading of electronic devices
Popbridge Industrial Limited ("PBIL")	Hong Kong 24th February, 1989	Ordinary HK$8,230,603	–	100%	Investment holding, trading of electronic devices and provision of design and engineering services
Popbridge Manufacturing Limited ("PBML")	Hong Kong 17th August, 1990	Ordinary HK$10,000	–	100%	Investment holding and subcontracting of electronic devices
Gorgeous Model Consultants Limited# ("GMCL")	BVI 12th April, 2000	Ordinary US$1	–	100%	Dormant
Circuit Breaker Technology Limited# ("CBTL")	BVI 12th April, 2000	Ordinary US$1	–	100%	Dormant

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Attributable equity interest held by Union Bridge		Principal activities
			Directly	Indirectly	
Dongguan Popbridge Electronic Co., Limited* (東莞名橋電子有限公司) ("PBEL")	The People's Republic of China (the "PRC") 14th July, 1994	Ordinary HK$14,650,000	–	100%	Manufacturing of electronic devices
Sun Bridge Group Limited ("SBGL")	BVI 29th April, 2002	Ordinary US$1	100%	–	Investment holding
Sun Bridge Industrial Company Limited ("SBICL")	Hong Kong 21st May, 2002	Ordinary HK$10,000	–	100%	Dormant
Union Bridge International Limited ("UB Int'l")	Hong Kong 3rd June, 2002	Ordinary HK$10,000	100%	–	Trading of electronic devices
Popbridge Group Limited ("PGL")	BVI 10th July, 2002	Ordinary US$1	100%	–	Dormant

\# *strike off from the register in the BVI*

* *translated from chinese directly and PBEL is a wholly foreign owned investment enterprise with operating tenure of 12 years. The registered capital of PBEL was HK$14,650,000 and has been fully paid-up as at 30th September, 2005.*

We have acted as auditors of the companies now comprising the Union Bridge Group for the Relevant Periods, except as follows:

Name of company	Financial year	Name of Auditors
UBIL	Year ended 31st March, 2003	Ernst and Young
	Year ended 31st March, 2004	Deloitte Touche Tohmatsu
UB Int'l	Year ended 31st March, 2003	Ernst and Young
	Year ended 31st March, 2004	Deloitte Touche Tohmatsu
PBIL	Year ended 31st March, 2003	Ernst and Young
	Year ended 31st March, 2004	Deloitte Touche Tohmatsu
PBML	Year ended 31st March, 2003	Ernst and Young
	Year ended 31st March, 2004	Deloitte Touche Tohmatsu
SBICL	Year ended 31st March, 2003	Ernst and Young
	Year ended 31st March, 2004	Deloitte Touche Tohmatsu
PBEL	Years ended 31st December, 2002, 2003 and 2004	東莞市德信康會計師事務所

All companies now comprising the Union Bridge Group have adopted 31st March as their financial year end date, other than PBEL, of which has its statutory financial year end on 31st December. The statutory financial statements of PBEL were prepared in accordance with the relevant accounting principles and financial regulations applicable to wholly owned foreign investment enterprise in the PRC. For the purpose of this report, we have undertaken an independent audit in accordance with the Hong Kong Statements of Auditing Standards and Auditing Guidelines issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") on the management accounts of PBEL for the Relevant Periods, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

No audited financial statements have been prepared for Union Bridge, GMCL, CBTL, SBGL and PGL since its date of incorporation as they were incorporated in a country where there are no statutory audit requirements. We have, however, reviewed all significant transactions of these companies during the Relevant Periods and carried out such procedures, as we considered necessary for inclusion of the financial information relating to these companies.

We have examined the audited financial statements or, where appropriate, management accounts ("Underlying Financial Statements") of all the companies now comprising the Union Bridge Group for the Relevant Periods, or since their respective dates of incorporation/establishment to 30th September, 2005, where this is a shorter period. We have carried out such additional procedures as necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The financial information of the Union Bridge Group for the Relevant Periods (the "Financial Information") set out in this report has been prepared from the Underlying Financial Statements. We have examined the Financial Information of the Union Bridge Group in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the respective companies, who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of Union Bridge and the Union Bridge Group as at 31st March, 2003, 2004 and 2005 and 30th September, 2005 and of its results and cash flows for the Relevant Periods.

The comparative consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of Union Bridge for the six months ended 30th September, 2004 together with notes thereon (the "2004 Comparative Financial Information") have been extracted from Union Bridge's financial information for the same period which was prepared by the directors of Union Bridge solely for the purpose of this report. We have reviewed the financial information for the six months ended 30th September, 2004, in accordance with Statements of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 2004 Comparative Financial Information. On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the 2004 Comparative Financial Information.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31st March,			Six months ended 30th September,	
		2003	**2004**	**2005**	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(unaudited)	(audited)
TURNOVER	*4*	55,354	48,107	48,387	25,104	34,920
Cost of sales		(37,206)	(31,704)	(30,484)	(16,032)	(26,177)
Gross profit		18,148	16,403	17,903	9,072	8,743
Other revenues and gains	*4*	5,693	1,420	164	68	1,124
Distribution costs		(534)	(473)	(714)	(345)	(451)
Administrative expenses		(16,955)	(12,817)	(13,159)	(6,419)	(5,393)
PROFIT FROM OPERATING ACTIVITIES	*6*	6,352	4,533	4,194	2,376	4,023
Finance costs	*7*	(2,394)	(2,555)	(2,715)	(1,308)	(1,850)
PROFIT BEFORE TAX		3,958	1,978	1,479	1,068	2,173
Tax	9	(791)	660	(752)	(588)	380
NET PROFIT FOR THE YEAR/PERIOD		3,167	2,638	727	480	2,553
DIVIDEND	*10*	10,400	–	–	–	1,750

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31st March, 2003 HK$'000 (audited)	2004 HK$'000 (audited)	2005 HK$'000 (audited)	As at 30th September, 2005 HK$'000 (audited)
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	13,329	14,132	14,082	19,247
Product development costs	*12*	7,655	7,824	9,024	10,219
Deposits made for acquisition of property, plant and equipment		1,000	1,000	1,090	1,090
		21,984	22,956	24,196	30,556
CURRENT ASSETS					
Inventories	*13*	6,958	7,956	17,609	25,571
Accounts receivable	*14*	15,149	14,695	17,368	19,470
Deposits and other receivables		1,692	3,008	5,001	4,735
Due from a related company	*15*	2,384	2,400	2,400	–
Due from a shareholder of ultimate holding company	*16*	100	100	100	–
Due from ultimate holding company	*16*	–	–	–	2,280
Tax recoverable		494	827	–	–
Available-for-sale investments		–	–	2,325	2,325
Pledged bank deposits	*17*	10,500	10,500	11,166	11,176
Cash and bank balances		2,895	2,943	696	622
		40,172	42,429	56,665	66,179
CURRENT LIABILITIES					
Accounts payable and bills payable	*18*	3,323	5,959	6,427	9,936
Deposits received, accruals and other payables	*19*	6,323	4,983	4,135	4,937
Tax payables		364	576	654	770
Due to ultimate holding company	*20*	24,833	25,216	20,911	4,944
Interest-bearing bank borrowings	*21*	29,856	29,188	46,443	52,649
Finance lease payables	*22*	480	870	1,348	2,452
		65,179	66,792	79,918	75,688
NET CURRENT LIABILITIES		(25,007)	(24,363)	(23,253)	(9,509)
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,023)	(1,407)	943	21,047
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*21*	2,674	1,842	2,954	2,012
Finance lease payables	*22*	1,356	1,982	1,799	3,786
Provision for long services payments		119	171	171	171
Deferred tax	*23*	868	–	694	197
		5,017	3,995	5,618	6,166
		(8,040)	(5,402)	(4,675)	14,881

		As at 31st March,			As at 30th September,
		2003	2004	2005	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
CAPITAL AND RESERVES/ (DEFICITS IN ASSETS)					
Share capital	*24*	–	–	–	29
Reserves		(8,040)	(5,402)	(4,675)	14,852
		(8,040)	(5,402)	(4,675)	14,881

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April, 2002		–	–	(807)	(807)
Net profit for the year		–	–	3,167	3,167
Special dividend	*10*	–	–	(10,400)	(10,400)
At 31st March, 2003 and at 1st April, 2003		–	–	(8,040)	(8,040)
Net profit for the year		–	–	2,638	2,638
At 31st March, 2004 and at 1st April, 2004		–	–	(5,402)	(5,402)
Net profit for the year		–	–	727	727
At 31st March, 2005 and at 1st April, 2005		–	–	(4,675)	(4,675)
Issue of shares	*24*	29	18,724	–	18,753
Net profit for the period		–	–	2,553	2,553
Interim dividend	*10*	–	–	(1,750)	(1,750)
At 30th September, 2005		29	18,724	(3,872)	14,881

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31st March,			Six months ended 30th September,	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM OPERATING ACTIVITIES					
Profit from operating activities before tax	3,958	1,978	1,479	1,068	2,173
Adjustments for:					
Depreciation	2,244	1,918	2,352	1,210	1,402
Amortisation of product development costs	1,517	1,742	1,993	991	986
Interest income	(243)	(46)	(35)	(2)	(129)
Interest expense	2,394	2,555	2,715	1,308	1,850
Provision for long service payments	119	52	–	–	–
(Gain)/loss on disposal of property, plant and equipment	6	(1)	–	–	–
Impairment in value of land and buildings	335	–	–	–	–
Allowance for bad and doubtful debts	1,269	–	–	–	–
Operating profit before working capital changes	11,599	8,198	8,504	4,575	6,282
Decrease/(increase) in inventories	3,835	(998)	(9,653)	(2,490)	(7,962)
Decrease/(increase) in accounts receivable	20	454	(2,673)	(425)	(2,102)
Decrease/(increase) in deposits and other receivables	323	(1,316)	(1,993)	(545)	266
Increase/(decrease) in accounts payable and bills payables	1,422	2,636	468	(788)	3,509
Increase/(decrease) in deposits received and accruals	(270)	(1,175)	(728)	(305)	862
Cash generated from/(used in) operations	16,929	7,799	(6,075)	22	855
Hong Kong Profits Tax (paid)/refund	(1,373)	(329)	847	769	(1)
Net cash inflow/(outflow) from operating activities	15,556	7,470	(5,228)	791	854

	Year ended 31st March, 2003 HK$'000 (audited)	2004 HK$'000 (audited)	2005 HK$'000 (audited)	Six months ended 30th September, 2004 HK$'000 (unaudited)	2005 HK$'000 (audited)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest received	243	46	35	2	129
Increase in short term investment	–	–	(2,325)	–	–
Purchases of property, plant and equipment	(1,705)	(1,165)	(962)	(1,549)	(2,854)
Proceeds from disposal of property, plant and equipment	–	1	–	–	–
Decrease/(increase) in amount due from a related company	48	(16)	–	–	2,400
Decrease in amount due from a shareholder of ultimate holding company	–	–	–	–	100
Deposits paid on acquisition of property, plant and equipment	(1,000)	–	(90)	–	–
Product development costs paid	(2,738)	(1,911)	(3,193)	(1,475)	(2,181)
Net cash outflow from investing activities	(5,152)	(3,045)	(6,535)	(3,022)	(2,406)
CASH FLOW FROM FINANCING ACTIVITIES					
Interest paid	(2,394)	(2,555)	(2,715)	(1,308)	(1,850)
Dividend paid	(10,400)	–	–	–	(1,750)
Decrease/(increase) in amount due to ultimate holding company	588	383	(4,305)	(807)	(18,247)
Proceeds from issue of shares	–	–	–	–	18,753
Repayment of obligations under finance lease	(195)	(540)	(1,045)	(429)	(622)
New bank loans raised	2,464	–	4,500	–	–
Repayment of bank loans	(12,806)	(2,935)	(830)	(340)	(2,431)
Repayment of other loans	–	(165)	(120)	(60)	(60)
Increase in trust receipt loans	5,713	1,475	5,819	5,238	8,332
Increase in pledged bank deposits	(2,434)	–	(666)	–	(10)
Net cash inflow/(outflow) from financing activities	(19,464)	(4,337)	638	2,294	2,115

	Year ended 31st March, 2003	Year ended 31st March, 2004	Year ended 31st March, 2005	Six months ended 30th September, 2004	Six months ended 30th September, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,060)	88	(11,125)	63	563
Cash and cash equivalents at beginning of year/period	(7,091)	(16,151)	(16,063)	(16,063)	(27,188)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	(16,151)	(16,063)	(27,188)	(16,000)	(26,625)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	2,895	2,943	696	630	622
Bank overdrafts	(19,046)	(19,006)	(27,884)	(16,630)	(27,247)
	(16,151)	(16,063)	(27,188)	(16,000)	(26,625)

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The registered office and principal place of business of Union Bridge are located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI and Room 1805-06, 18/F., Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong, respectively.

Union Bridge is a wholly-owned subsidiary of Union Bridge Power Systems Limited, a company incorporated in the Cayman Islands. The directors of Union Bridge consider Union Bridge Power Systems Limited to be Union Bridge's ultimate holding company as at 30th September, 2005. Union Bridge is an investment holding company and its subsidiaries are principally engaged in the provision of manufacturing services of electronic devices, and provision of design and engineering services of electronic devices.

2. ADOPTION OF NEW OR REVISED STANDARDS

In 2004, the HKICPA issued a number of new or revised HKASs and Hong Kong Financial Reporting Standards ("HKFRSs", hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. For the purposes of preparing and presenting Financial Information of the Relevant Periods, the Union Bridge Group has early adopted all these new and revised HKFRSs for the accounting period beginning on 1st April, 2002. The HKICPA has also issued the following standards and interpretations ("INT") that are not yet effective. The Union Bridge Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Union Bridge Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures *(note i)*
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures *(note ii)*
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions *(note ii)*
HKAS 39 (Amendment)	The Fair Value Option *(note ii)*
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts *(note ii)*
HKFRS 6	Exploration for and Evaluation of Mineral Resources *(note ii)*
HKFRS 7	Financial Instruments: Disclosures *(note i)*
HKFRS – INT 4	Determining whether an Arrangement contains a Lease *(note ii)*
HKFRS – INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds *(note ii)*
HKFRS – INT 6	Liabilities arising from Participating in a Specific Market °V Waste Electrical and Electronic Equipment *(note iii)*

Notes:

(i) Effective for annual periods beginning on or after 1st January, 2007

(ii) Effective for annual periods beginning on or after 1st January, 2006

(iii) Effective for annual periods beginning on or after 1st December, 2005

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of presentation

The Financial Information has been prepared on a going concern basis notwithstanding the Union Bridge Group had net current liabilities as at 30th September, 2005 as the ultimate holding company have undertaken to provide continuous financial support to the Union Bridge Group, and to maintain it as a going concern.

(b) Basis of preparation

The Financial Information has been prepared on the historical cost convention. The Financial Information has been prepared in accordance with accounting principles generally accepted in Hong Kong including applicable HKFRSs issued by the HKICPA.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Union Bridge and entities controlled by Union Bridge. Control is achieved where Union Bridge has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the years/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

(d) Property, plant and equipment

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.

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:

Land and buildings	2%
Leasehold improvements	10%-20%
Furniture and fixtures	10%-20%
Office equipment	10%-20%
Computer equipment and software	10%-20%
Tooling	10%-20%
Plant and machinery	10%-20%
Motor vehicles	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Gain or loss on derecognition of property, plant and equipment, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

(e) Product development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated asset arising from product development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its estimated useful life.

Where no internally-generated asset can be recognised, product development expenditure is recognized as an expense in the period in which it is incurred.

(f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss 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.

(g) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Union Bridge Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Union Bridge Group is the lessor, assets leased by the Union Bridge Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Union Bridge Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

An estimate for doubtful debts for accounts receivable is made when there is an objective evidence that the Union Bridge Group will not be able to collect the debts. Bad debts are written off when identified.

(j) Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified into four categories including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Union Bridge Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, reconsiders this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Union Bridge Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Available-for-sale investments

Available-for-sales investments are those non-derivative financial assets in equity securities that are designated as available-for-sale investments or are not classified in any of the other three categories under the scope of HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models. For investments where there is no active market and whose values cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

(k) 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 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 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.

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 (and tax laws) 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.

(l) Revenue recognition

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

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Union Bridge Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) design and engineering services income, when the services have been rendered;

(iii) management fee income, on a time proportion basis;

(iv) interest income, on time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(v) dividend income, when the shareholders' right to receive payment has been established.

(m) Borrowing costs

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

(n) Dividends

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

Interim and special dividends are simultaneously proposed and declared, because the Union Bridge's memorandum and articles of association grant the directors the authority to declare interim and special dividends. Consequently, interim and special dividends are recognised immediately as a liability when they are proposed and declared.

(o) Retirement benefits scheme

Union Bridge 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 Union Bridge Group in an independently administered fund. Union Bridge Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Union Bridge Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute at a prevailing rate ranging from 11% to 13% of the standard salary set by the local municipal government for each eligible employee to the central pension scheme to fund the retirement benefits. This contributions to the scheme are charged to the income statements as they become payable in accordance with the rules of the central pension scheme.

(p) Provisions

Provisions are recognised in the balance sheet when the Union Bridge Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of the overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods, and its balance sheet is translated into Hong Kong dollars at the exchange rates ruling at the balance sheet dates. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statements, the cash flows of the 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 the overseas subsidiaries which arise throughout the Relevant Periods are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods.

(r) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(s) Financial instruments

Financial assets and financial liabilities are recognised on the Union Bridge Group's balance sheet when the Union Bridge Group has become a party to the contractual provisions of the instrument.

Accounts receivables, other receivables, amounts due from a related company, ultimate holding company and a shareholder of ultimate holding company

Accounts receivable, other receivables and amount due from a related company, ultimate holding company and a shareholder of ultimate holding company are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired. The allowances recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a know amount of cash and are subject to an insignificant risk of changes in value.

Interest-bearing bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Union Bridge Group's accounting policy for borrowing costs.

Accounts payable, bills payable, other payables, amount due to ultimate holding company

Accounts payable, bills payable, other payables, amount due to ultimate holding company and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Union Bridge Group are recorded at the proceeds, net of direct issue cost.

(t) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 Union Bridge Group's cash management.

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

(u) Segment Reporting

A segment is a distinguishable component of the Union Bridge 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. TURNOVER, OTHER REVENUES AND GAINS

Turnover represents the net invoiced value of goods sold and design and engineering services rendered for the Relevant Periods, after allowances for returns and trade discounts.

An analysis of the Union Bridge Group's turnover, other revenues and gains for the Relevant Periods is as follows:

	Year ended 31st March,			**Six months ended 30th September,**	
	2003	2004	2005	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Turnover					
Manufacturing services	49,357	42,464	42,197	20,540	33,279
Design and engineering services	5,997	5,643	6,190	4,564	1,641
	55,354	48,107	48,387	25,104	34,920
Other revenues					
Management fee income	540	540	–	–	–
Interest income	243	46	35	2	129
Compensation from a customer	4,600	–	–	–	–
Reversal of provision for bad debts	–	–	–	–	448
Reversal of provision for warranty	–	–	–	–	123
Sundry income	89	802	88	39	379
	5,472	1,388	123	41	1,079
Gains					
Exchange gains, net	221	31	41	27	45
Gain on disposal of property, plant and equipment	–	1	–	–	–
	221	32	41	27	45
	5,693	1,420	164	68	1,124

5. SEGMENTAL INFORMATION

Business segments

For management purposes, the Union Bridge Group currently organises its operations into two business segments, namely manufacturing services, and design and engineering services. These divisions are the basis on which the Union Bridge Group reports its primarily segment information.

The Union Bridge Group's operation by business segments is as follows:

	Year ended 31st March, 2003		
	Manufacturing services	**Design and Engineering services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
External	49,357	5,997	55,354
RESULTS			
Segment results	12,963	5,185	18,148
Other operating income			5,450
Interest income			243
Unallocated expenses			(17,489)
Profit from operating activities			6,352
Finance costs			(2,394)
Profit before tax			3,958
Tax			(791)
Net profit for the year			3,167

	Year ended 31st March, 2004		
	Manufacturing services	**Design and Engineering services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
External	42,464	5,643	48,107
RESULTS			
Segment results	11,395	5,008	16,403
Other operating income			1,374
Interest income			46
Unallocated expenses			(13,290)
Profit from operating activities			4,533
Finance costs			(2,555)
Profit before tax			1,978
Tax			660
Net profit for the year			2,638

	Year ended 31st March, 2005		
	Manufacturing services	**Design and Engineering services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
External	42,197	6,190	48,387
RESULTS			
Segment results	12,154	5,749	17,903
Other operating income			129
Interest income			35
Unallocated expenses			(13,873)
Profit from operating activities			4,194
Finance costs			(2,715)
Profit before tax			1,479
Tax			(752)
Net profit for the year			727

	Six months ended 30th September, 2004		
	Manufacturing services	Design and Engineering services	Total
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
External	20,540	4,564	25,104
RESULTS			
Segment results	4,723	4,349	9,072
Other operating income			66
Interest income			2
Unallocated expenses			(6,764)
Profit from operating activities			2,376
Finance costs			(1,308)
Profit before tax			1,068
Tax			(588)
Net profit for the period			480

	Six months ended 30th September, 2005		
	Manufacturing services	Design and Engineering services	Total
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
External	33,279	1,641	34,920
RESULTS			
Segment results	7,356	1,387	8,743
Other operating income			995
Interest income			129
Unallocated expenses			(5,844)
Profit from operating activities			4,023
Finance costs			(1,850)
Profit before tax			2,173
Tax			380
Net profit for the period			2,553

As over 90% of the assets of the Union Bridge Group are attributable to provision of manufacturing services, an analysis of segment assets and liabilities is not presented.

Geographical segments

An analysis of the Union Bridge Group's revenue and contribution to operating results and segmental assets and liabilities by geographical segments, irrespective of the origin of the goods, is presented below:

	Year ended 31st March, 2003				
	Hong Kong	**The PRC**	**Others**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	55,354	–	–	–	55,354
Inter-segment sales	9,875	8,574	–	(18,449)	–
	65,229	8,574	–	(18,449)	55,354
RESULTS					
Segment results	17,600	(65)	10,475	(21,901)	6,109
Interest income					243
Profit from operating activities					6,352
Finance costs					(2,394)
Profit before tax					3,958
Tax					(791)
Net profit for the year					3,167
ASSETS					
Segment assets	55,798	6,358	–	–	62,156
Inter-segment receivable	34,360	–	2,468	(36,828)	–
					62,156
LIABILITIES					
Segment liabilities	52,764	1,391	16,041	–	70,196
Inter-segment payable	24,307	12,490	31	(36,828)	–
					70,196
OTHER INFORMATION					
Capital expenditures	3,254	3,135	–	–	6,389
Depreciation and amortization	2,680	1,081	–	–	3,761
Impairment of land and buildings	335	–	–	–	335
Loss on disposal of property, plant and equipment	–	6	–	–	6
Provision for long services payments	119	–	–	–	119

	Year ended 31st March, 2004				
	Hong Kong	**The PRC**	**Others**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	48,107	–	–	–	48,107
Inter-segment sales	11,471	7,680	21,084	(40,235)	–
	59,578	7,680	21,084	(40,235)	48,107
RESULTS					
Segment results	(3,000)	(327)	11,630	(3,816)	4,487
Interest income					46
Profit from operating activities					4,533
Finance costs					(2,555)
Profit before tax					1,978
Tax					660
Net profit for the year					2,638
ASSETS					
Segment assets	59,952	5,433	–	–	65,385
Inter-segment receivable	41,841	–	15,672	(57,513)	–
					65,385
LIABILITIES					
Segment liabilities	52,886	1,331	16,570	–	70,787
Inter-segment payable	32,831	11,968	12,714	(57,513)	–
					70,787
OTHER INFORMATION					
Capital expenditures	4,579	53	–	–	4,632
Depreciation and amortization	2,498	1,162	–	–	3,660

	Year ended 31st March, 2005				
	Hong Kong	**The PRC**	**Others**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	48,387	–	–	–	48,387
Inter-segment sales	29,986	7,933	–	(37,919)	–
	78,373	7,933	–	(37,919)	48,387
RESULTS					
Segment results	5,092	(861)	(73)	1	4,159
Interest income					35
Profit from operating activities					4,194
Finance costs					(2,715)
Profit before tax					1,479
Tax					(752)
Net profit for the year					727
ASSETS					
Segment assets	76,312	4,549	–	–	80,861
Inter-segment receivable	48,652	–	2,997	(51,649)	–
					80,861
LIABILITIES					
Segment liabilities	67,868	1,098	16,570	–	85,536
Inter-segment payable	39,342	12,195	112	(51,649)	–
					85,536
OTHER INFORMATION					
Capital expenditures	5,239	256	–	–	5,495
Depreciation and amortization	3,289	1,056	–	–	4,345

	Six months ended 30th September, 2004				
	Hong Kong	**The PRC**	**Others**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	25,104	–	–	–	25,104
Inter-segment sales	15,989	3,840	–	(19,829)	–
	41,093	3,840	–	(19,829)	25,104
RESULTS					
Segment results	3,494	(642)	(10)	(468)	2,374
Interest income					2
Profit from operating activities					2,376
Finance costs					(1,308)
Profit before tax					1,068
Tax					(588)
Net profit for the year					480
ASSETS					
Segment assets	61,388	5,219	–	–	66,607
Inter-segment receivable	52,727	–	15,671	(68,398)	–
					66,607
LIABILITIES					
Segment liabilities	53,582	1,376	16,570	–	71,528
Inter-segment payable	43,314	12,359	12,725	(68,398)	–
					71,528
OTHER INFORMATION					
Capital expenditures	2,953	71	–	–	3,024
Depreciation and amortization	1,622	579	–	–	2,201

	Six months ended 30th September, 2005				
	Hong Kong	**The PRC**	**Others**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	34,920	–	–	–	34,920
Inter-segment sales	25,341	4,330	–	(29,671)	–
	60,261	4,330	–	(29,671)	34,920
RESULTS					
Segment results	8,507	(1,462)	2,126	(5,277)	3,894
Interest income					129
Profit from operating activities					4,023
Finance costs					(1,850)
Profit before tax					2,173
Tax					380
Net profit for the year					2,553
ASSETS					
Segment assets	90,348	5,061	1,326	–	96,735
Inter-segment receivable	55,458	–	5,347	(60,805)	–
					96,735
LIABILITIES					
Segment liabilities	78,694	2,047	1,113	–	81,854
Inter-segment payable	47,453	13,236	116	(60,805)	–
					81,854
OTHER INFORMATION					
Capital expenditures	7,701	1,047	–	–	8,748
Depreciation and amortization	1,774	614	–	–	2,388

6. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging:

	Year ended 31st March,			Six months ended 30th September,	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Cost of inventories sold	36,394	31,069	30,043	15,817	25,923
Cost of services provided	812	635	441	215	254
Depreciation	2,244	1,918	2,352	1,210	1,402
Amortisation of product development costs	1,517	1,742	1,993	991	986
Minimum lease payments under operating leases on land and buildings	2,449	2,129	2,129	1,064	1,140
Auditors' remuneration	265	300	77	39	130
Loss on disposal of fixed assets	6	–	–	–	–
Impairment of land and buildings	335	–	–	–	–
Provision for long services payments	119	52	–	–	–
Provision for doubtful debts	1,269	–	–	–	–
Staff cost (excluding directors' remuneration – *note 8*)					
Salaries and allowances	11,863	9,860	10,309	4,632	6,216
Less: capitalised in product development costs	(2,684)	(1,539)	(2,236)	(967)	(1,856)
Retirement scheme contributions	386	346	478	238	137
	9,565	8,667	8,551	3,903	4,497

7. FINANCE COSTS

	Year ended 31st March,			Six months ended 30th September,	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest on bank loans and overdrafts wholly repayable within five years	1,548	1,701	1,930	900	1,592
Interest on advance from ultimate holding company	722	711	611	326	179
Interest on finance leases	64	93	140	64	68
Interest on other loan	60	50	34	18	11
	2,394	2,555	2,715	1,308	1,850

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Listing Rules ad Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31st March,			Six months ended 30th September,	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Fees	–	–	–	–	–
Other emoluments:					
Salaries and benefits in kind	1,395	1,041	1,139	558	569
Less: capitalised in product development costs	–	(306)	(632)	(318)	(250)
Retirement scheme contributions	12	11	12	6	6
	1,407	746	519	246	325

Of the five individuals with highest emoluments, one (31st March, 2005, 2004 and 2003 and 30th September, 2005: one) of them is director whose emolument is disclosed as above. Details of the remuneration of the remaining four (31st March, 2005, 2004 and 2003 and 30th September, 2005: four) non-director, highest paid employees are as follows:

	Year ended 31st March,			Six months ended 30th September,	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries and benefits in kind	4,617	3,445	3,910	1,891	1,893
Retirement scheme contributions	48	55	60	30	30
	4,665	3,500	3,970	1,921	1,923

9. TAX

	Year ended 31st March,			Six months ended 30th September,	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current year provision					
Hong Kong	819	6	87	44	119
Overseas	–	210	–	–	–
Under/(Over)provision in prior year	21	(8)	(29)	(29)	(2)
Deferred tax	(49)	(868)	694	573	(497)
Tax charge/(credit) for the year/period	791	(660)	752	588	(380)

Hong Kong profits tax has been provided at the rate of 17.5% for the six months ended 30th September, 2005 (for the six months ended 30th September, 2004: 17.5%; for the three years ended 31st March, 2005, 2004 and 2003 are 17.5%, 17.5% and 16%, respectively) on the estimated assessable profits arising in Hong Kong.

In accordance with the relevant tax rules and legislation in the PRC, PBEL, the subsidiary of the Union Bridge Group operating in the PRC, is able to enjoy corporate income tax exemptions and reductions, which include exemption from paying corporate income tax for two years starting from the first profit-making year, followed by a 50% reduction in the corporate income tax payable in the following three years. The tax holiday has been expired and the applicable statutory tax rate for PBEL is 27%.

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.

A reconciliation of the tax charge/(credit) applicable to profit before tax using the statutory rate to the tax charge/(credit) at the effective tax rate is as follows:

	Year ended 31st March, 2003	
	HK$'000	%
Profit before tax	3,958	
Tax at the statutory tax rate	633	16.0
Effect of different tax rates in other jurisdictions	(20)	(0.5)
Tax effect of non-deductible expenses	111	2.8
Tax effect of non-taxable income	(5)	(0.1)
Tax loss not recognized	51	1.3
Underprovision of tax in prior year	21	0.5
Tax charge at effective rate	791	20.0

	Year ended 31st March, 2004	
	HK$'000	%
Profit before tax	1,978	
Tax at the statutory tax rate	346	17.5
Effect of different tax rates in other jurisdictions	(1,850)	(93.5)
Tax effect of non-deductible expenses	710	35.9
Tax effect of non-taxable income	(2)	(0.1)
Tax loss not recognized	59	3.0
Overprovision of tax in prior year	(9)	(0.4)
Tax effect of increase in tax rate	86	4.3
Tax credit at effective rate	(660)	(33.3)

	Year ended 31st March, 2005	
	HK$'000	%
Profit before tax	1,479	
Tax at the statutory tax rate	259	17.5
Effect of different tax rates in other jurisdictions	(84)	(5.7)
Tax effect of non-deductible expenses	434	29.4
Tax effect of non-taxable income	(65)	(4.4)
Tax loss not recognized	237	16.0
Overprovision of tax in prior year	(29)	(2.0)
Tax charge at effective rate	752	50.8

	Six months ended 30th September, 2004 HK$'000	%
Profit before tax	1,068	
Tax at the statutory tax rate	187	17.5
Effect of different tax rates in other jurisdictions	(62)	(5.8)
Tax effect of non-deductible expenses	431	40.3
Tax effect of non-taxable income	(4)	(0.3)
Tax loss not recognized	65	6.1
Overprovision of tax in prior year	(29)	(2.7)
Tax charge at effective rate	588	55.1

	Six months ended 30th September, 2005 HK$'000	%
Profit before tax	2,173	
Tax at the statutory tax rate	380	17.5
Effect of different tax rates in other jurisdictions	(138)	(6.3)
Tax effect of non-deductible expenses	40	1.8
Tax effect of non-taxable income	(623)	(28.7)
Tax loss utilized	(37)	(1.7)
Overprovision of tax in prior year	(2)	(0.1)
Tax credit at effective rate	(380)	(17.5)

10. DIVIDEND

	Year ended 31st March,			Six months ended 30th September,	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Special dividend of HK$10,400,000 per ordinary share	10,400	–	–	–	–
Interim dividend of HK$46.67 per ordinary share	–	–	–	–	1,750
	10,400	–	–	–	1,750

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings#	Computer equipment and software	Furniture and fixtures	Leasehold improve-ments	Motor vehicles	Office equipment	Plant and machinery	Toolings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:									
At 1st April, 2002	10,757	1,119	1,218	5,208	1,210	3,007	9,770	1,370	33,659
Additions	–	172	28	170	–	87	3,190	4	3,651
Disposal	–	–	–	–	–	(42)	–	–	(42)
At 31st March, 2003 and 1st April, 2003	10,757	1,291	1,246	5,378	1,210	3,052	12,960	1,374	37,268
Additions	–	51	4	109	–	93	2,360	104	2,721
Dispsoal	–	–	–	–	–	(5)	–	–	(5)
At 31st March, 2004 and 1st April, 2004	10,757	1,342	1,250	5,487	1,210	3,140	15,320	1,478	39,984
Additions	–	136	16	36	–	230	1,799	85	2,302
At 31st March, 2005 and 1st April, 2005	10,757	1,478	1,266	5,523	1,210	3,370	17,119	1,563	42,286
Additions	–	40	35	337	–	490	4,995	670	6,567
At 30th September, 2005	10,757	1,518	1,301	5,860	1,210	3,860	22,114	2,233	48,853
Accumulated depreciation and impairment:									
At 1st April, 2002	4,507	725	960	3,211	978	1,348	8,421	1,246	21,396
Charge for the year	215	132	97	592	68	396	662	82	2,244
Impairment loss	335	–	–	–	–	–	–	–	335
Disposal	–	–	–	–	–	(36)	–	–	(36)
At 31st March, 2003 and 1st April, 2003	5,057	857	1,057	3,803	1,046	1,708	9,083	1,328	23,939
Charge for the year	215	142	76	297	68	330	755	35	1,918
Disposal	–	–	–	–	–	(5)	–	–	(5)
At 31st March, 2004 and 1st April, 2004	5,272	999	1,133	4,100	1,114	2,033	9,838	1,363	25,852
Charge for the year	215	146	49	319	68	435	1,072	48	2,352
At 31st March, 2005 and 1st April, 2005	5,487	1,145	1,182	4,419	1,182	2,468	10,910	1,411	28,204
Charge for the period	108	78	38	169	28	167	756	58	1,402
At 30th September, 2005	5,595	1,223	1,220	4,588	1,210	2,635	11,666	1,469	29,606
Net book value:									
At 30th September, 2005	5,162	295	81	1,272	–	1,225	10,448	764	19,247
At 31st March, 2005	5,270	333	84	1,104	28	902	6,209	152	14,082
At 31st March, 2004	5,485	343	117	1,387	96	1,107	5,482	115	14,132
At 31st March, 2003	5,700	434	189	1,575	164	1,344	3,877	46	13,329

\# *As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment in accordance with HKAS 17.*

The Union Bridge Group's land and buildings which are held under medium-term leases are situated in Hong Kong.

As at 30th September, 2005, the Union Bridge Group has pledged its land and buildings with a net book value of HK$5,162,173 (31st March, 2005: HK$5,269,738; 31st March, 2004: HK$5,484,869; 31st March, 2003: HK$5,700,000) to certain banks to secure the credit facilities granted to a subsidiary of the Union Bridge Group.

The net book value of the Union Bridge Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery at 30th September, 2005, amounted to HK$7,989,801 (31st March, 2005: HK$4,589122; 31st March, 2004: HK$3,962,455; 31st March, 2003: HK$2,334,687).

12. PRODUCT DEVELOPMENT COSTS

	HK$'000
Cost:	
At 1st April, 2002	8,190
Additions	2,738
At 31st March, 2003 and 1st April, 2003	10,928
Additions	1,911
At 31st March, 2004 and 1st April, 2004	12,839
Additions	3,193
At 31st March, 2005 and 1st April, 2005	16,032
Additions	2,181
At 30th September, 2005	18,213
Accumulated depreciation:	
At 1st April, 2002	1,756
Charge for the year	1,517
At 31st March, 2003 and 1st April, 2003	3,273
Charge for the year	1,742
At 31st March, 2004 and 1st April, 2004	5,015
Charge for the year	1,993
At 31st March, 2005 and 1st April, 2005	7,008
Charge for the period	986
At 30th September, 2005	7,994
Net book value:	
At 30th September, 2005	10,219
At 31st March, 2005	9,024
At 31st March, 2004	7,824
At 31st March, 2003	7,655

13. INVENTORIES

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Raw materials	6,162	6,958	14,996	19,848
Work in progress	500	998	2,085	4,811
Finished goods	296	–	528	912
	6,958	7,956	17,609	25,571

No inventories were stated at net realized value as at 31st March, 2003, 2004 and 2005 and 30th September, 2005.

14. ACCOUNTS RECEIVABLE

The aging of the Union Bridge Group's accounts receivable is as follows.

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
0 – 30 days	5,396	4,515	5,912	7,290
31 – 60 days	2,188	977	2,518	3,112
61 – 90 days	362	1,492	1,874	2,319
91 – 120 days	1,457	1,330	41	1,200
Over 120 days	5,746	6,381	7,023	5,549
	15,149	14,695	17,368	19,470

15. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Karco Limited	2,384	2,400	2,400	–

The amount due from a related company is unsecured, interest-free and has no fixed terms of repayment.

Lo Ka Tong, director of Union Bridge, has interest in the above company.

Maximum amount outstanding during the Relevant Periods:

	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2005	As at 30th September, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Karco Limited	2,495	2,400	2,400	2,400

16. DUE FROM ULTIMATE HOLDING COMPANY AND A SHAREHOLDER OF ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company and a shareholder of ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

17. PLEDGED BANK DEPOSITS

	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2005	As at 30th September, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Pledged for general banking facilities	10,500	10,500	11,166	11,176

18. ACCOUNTS PAYABLE AND BILLS PAYABLE

The following is an aged analysis of the Union Bridge Group's accounts payable.

	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2005	As at 30th September, 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
0 – 30 days	1,242	1,694	3,010	4,840
31 – 60 days	721	1,270	1,193	2,323
61 – 90 days	597	910	1,524	1,616
91 – 120 days	285	921	583	885
Over 120 days	478	1,164	117	272
	3,323	5,959	6,427	9,936

19. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Deposits received and accruals	4,783	3,608	2,880	3,742
Other loans – interest bearing of 12% per annum	500	335	215	–
Other loans – non-interest bearing	1,040	1,040	1,040	1,195
	6,323	4,983	4,135	4,937

The other loans are unsecured and have no fixed terms of repayment.

20. DUE TO ULTIMATE HOLDING COMPANY

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Interest bearing of 7.5% per annum	9,010	9,555	5,041	4,661
Non-interest bearing	15,823	15,661	15,870	283
	24,833	25,216	20,911	4,944

The amount due to ultimate holding company is unsecured and has no fixed terms of repayment.

21. INTEREST-BEARING BANK BORROWINGS

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Bank overdrafts, secured	19,046	19,006	27,884	27,247
Trust receipt loans, secured	7,876	9,351	15,170	23,502
Bank loans, secured	5,449	2,673	6,343	3,912
	32,371	31,030	49,397	54,661
Bank loans, unsecured	159	–	–	–
	32,530	31,030	49,397	54,661
Bank overdrafts repayable within one year or on demand	19,046	19,006	27,884	27,247
Trust receipt loans repayable within one year	7,876	9,351	15,170	23,502
Bank loans repayable:				
Within one year	2,934	831	3,389	1,900
In the second to fifth years, inclusive	2,674	1,842	2,954	2,012
	5,608	2,673	6,343	3,912
Portion classified as current liabilities	29,856	29,188	46,443	52,649
Long term portion	2,674	1,842	2,954	2,012

The directors estimate that the carrying amount of the Union Bridge Group's borrowings approximates their fair value.

The Union Bridge Group's banking facilities with an aggregate amount of HK$64,430,000 (2005: HK$65,930,000; 2004: HK$51,430,000; 2003: HK$50,310,051), of which HK$53,757,697 (2005: HK$47,310,997; 2004: HK$29,972,215; 2003: HK$32,513,499) were utilised at the balance sheet dates, are secured and/or guaranteed by:

(a) legal charges on two (31st March, 2005, 2004 and 2003: two) residential properties situated in Hong Kong owned by Mr. Lo, who is a director of Union Bridge, and an independent third party;

(b) legal charges on the Union Bridge Group's leasehold land and buildings situated in Hong Kong with aggregate net book value of HK$5,162,173 as at 30th September, 2005 (31st March, 2005: HK$5,269,738; 31st March, 2004: HK$5,484,869; 31st March, 2003: HK$5,700,000);

(c) legal charges on all of the Union Bridge Group's pledged deposits;

(d) floating charges on a bank current account of the Union Bridge Group with a balance of HK$117 as at 30th September, 2005 (31st March, 2005: HK$117; 31st March, 2004: HK$669; 31st March, 2003: HK$125,937);

(e) personal guarantees executed by Mr. Lo, who is a director of Union Bridge and Ms Cheng, who is a director of certain subsidiaries of the Union Bridge Group; and

(f) a corporate guarantee executed by UBIL.

22. FINANCIAL LEASE PAYABLES

As at the balance sheet dates, the total future minimum lease payments under finance lease and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31st March,			As at 30th September,	As at 31st March,			As at 30th September,
	2003	2004	2005	2005	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Amount payable:								
Within one year	561	986	1,465	2,731	480	870	1,348	2,452
In second to fifth year	1,463	2,094	1,865	3,993	1,356	1,982	1,799	3,786
	2,024	3,080	3,330	6,724	1,836	2,852	3,147	6,238
Future finance charges	(188)	(228)	(183)	(486)				
	1,836	2,852	3,147	6,238				
Less: current portion	(480)	(870)	(1,348)	(2,452)				
	1,356	1,982	1,799	3,786				

23. DEFERRED TAX

	Accelerated tax depreciation	Product development costs	Allowance for bad and doubtful debts	Allowance for inventories	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2002	(113)	1,030	–	–	–	917
Charge/(Credit) to income statement for the year	(93)	310	(222)	(44)	–	(49)
At 31st March, 2003 and 1st April, 2003	(206)	1,340	(222)	(44)	–	868
Charge/(Credit) to income statement for the year	232	(96)	165	(256)	(994)	(949)
Effect of change in tax rate (credit)/charge to the income statement	(19)	125	(21)	(4)	–	81
At 31st March, 2004 and 1st April, 2004	7	1,369	(78)	(304)	(994)	–
Charge/(Credit) to income statement for the year	(19)	210	78	304	121	694
At 31st March, 2005 and 1st April, 2005	(12)	1,579	–	–	(873)	694
Charge/(Credit) to income statement for the period	126	(685)	–	–	62	(497)
At 30th September, 2005	114	894	–	–	(811)	197

Union Bridge has no significant unprovided deferred tax for the Relevant Periods and at the balance sheet dates.

24. SHARE CAPITAL

	As at 31st March,			As at 30th September,
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Authorised:				
500,000 ordinary shares of US$0.10 each	388	388	388	388
Issued and fully paid:				
37,500 ordinary shares of US$0.10 each	–	–	–	29

The following movements in Union Bridge's authorised and issued share capital took place during the Relevant Periods:

(i) On 31st August, 2005, 9,999 new shares of US$64.28 each were issued for cash at par for additional working capital of Union Bridge.

(ii) On 26th September, 2005, 27,500 new shares of US$64.28 each were issued for cash at par for additional working capital of Union Bridge.

25. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Information, the Union Bridge Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31st March,			Six months ended 30th September,	
		2003	**2004**	**2005**	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest income received from a related company	*(i)*	128	–	–	–	–
Rental expenses paid to a related company	*(ii)*	320	–	–	–	–
Interest expense paid/payable to ultimate holding company	*(iii)*	721	711	610	326	191
Management fee paid/payable to ultimate holding company	*(iv)*	727	354	120	60	120

Notes :

(i) The interest income was charged at prime rate plus 2% per annum.

(ii) The rental expenses were determined between both parties.

(iii) The interest expense was charged at 7.5% per annum.

(iv) The management fee was charged at rates determined between both parties.

At the balance sheet dates, the Union Bridge Group's general banking facilities of HK$64,430,000 (31st March, 2005: HK$65,930,000; 31 March, 2004: HK$51,430,000; 31 March, 2003: HK$50,310,051) were secured by a residential property owned by Mr. Lo and personal guarantees provided by Ms. Cheng and Mr. Lo.

26. OPERATING LEASE COMMITMENTS

The Union Bridge Group leases certain retail shops under operating lease arrangements. Leases for retail shops are negotiated for terms of five years.

At the balance sheet date, the Union Bridge Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Within one year	2,128	2,129	2,129	1,694
In the second to fifth years, inclusive	4,864	2,735	621	–
	6,992	4,864	2,750	1,694

27. CAPITAL COMMITMENTS

	As at 31st March,			As at 30th September,
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	480	803	700	700
	480	803	700	700

Union Bridge has no significant capital commitments at the balance sheet dates.

28. OTHER COMMITMENTS

In accordance with the respective service agreements entered into between UBIL, Ms. Cheng and Mr. Lo, UBIL agreed to grant each of Ms. Cheng and Mr. Lo an option to require UBIL in each financial year to issue and allot such number of new ordinary shares of UBIL at par value of up to 1% of the then issued share capital of UBIL. The option shall be exercised by Ms. Cheng and Mr. Lo within 60 days after acceptance of the UBIL's audited financial statements at the annual general meeting by its shareholders. The service agreements are on an open term until terminated by either party by giving at least six month's notice in writing. No option was granted by UBIL to Ms. Cheng and Mr. Lo during the Relevant Periods.

29. CONTINGENT LIABILITIES

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,355,466 as at 30th September, 2005. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

30. FINANCIAL RISKS AND MANAGEMENT

The Union Bridge Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Union Bridge Group.

(i) Interest rate risk

The Union Bridge Group's exposure to market risk for changes in interest rates relates primarily to the Union Bridge Group's interest-bearing bank borrowings. Currently, the Union Bridge Group does not have a hedging policy. However, the management monitors interest rate exposure and will consider hedging significant bank borrowings should the need arises.

(ii) Foreign currency risk

The Union Bridge Group incur foreign currency risk on transactions and balances that are denominated in currencies other than Hong Kong dollars. The currencies giving rise to this risk are primarily Renminbi, Euro and United States Dollar.

(iii) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Union Bridge Group, resulting in a loss. The Union Bridge Group deals mainly with customers that are of good reputation and strong financial backing. In addition, monitoring of the payment made by the customers is done regularly and reviewed by the management.

(iv) Liquidity risk

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

(v) Fair values

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

C. SUBSEQUENT EVENT

There is no material subsequent event subsequent to 30th September, 2005.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Union Bridge Group in respect of any period subsequent to 30th September, 2005.

Yours faithfully,
Cheung & Siu
Certified Public Accountants
Hong Kong

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated profit and loss accounts and the assets and liabilities of the Group for each of the three years ended 31 March 2005 and the six months ended 30 September 2005.

	For the year ended 31 March			Six months ended 30 September	
	2005	**2004**	**2003**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
TURNOVER	38,864	96,804	104,385	15,750	25,088
Cost of sales	(42,035)	(86,938)	(89,962)	(14,114)	(22,078)
Gross (loss)/profit	(3,171)	9,866	14,423	1,636	3,010
Other revenue	250	937	717	2	2
Distribution costs	(626)	(976)	(1,149)	(54)	(328)
Administrative expenses	(4,033)	(3,953)	(5,614)	(1,739)	(1,741)
Provision for bad and doubtful debts	(3,093)	(56)	–	–	–
Other operating expenses	(2,085)	(3,044)	(2,943)	(466)	(1,062)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	(12,758)	2,774	5,434	(621)	(119)
Loss on disposals of fixed assets	(3,910)	–	–	–	–
Provision for impairment loss of other investments	(8,223)	–	–	(657)	–
Finance costs	(219)	(22)	(372)	(339)	–
(LOSS)/PROFIT BEFORE TAXATION	(25,110)	2,752	5,062	(1,617)	(119)
Taxation	1,841	(1,221)	(971)	278	(117)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	(23,269)	1,531	4,091	(1,339)	(236)
Minority interests	126	1	72	14	107
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(23,143)	1,532	4,163	(1,325)	(129)
DIVIDENDS	–	–	–	–	–
(LOSS)/EARNINGS PER SHARE					
– Basic (cent)	(7.71)	0.51	1.39	(0.44)	(0.04)
– Diluted (cent)	N/A	N/A	N/A	N/A	N/A

	As at 31 March			30 September
	2005	2004	2003	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
NON-CURRENT ASSETS				
Fixed assets	8,022	9,199	1,724	7,434
Other investments	1,377	10,800	–	720
Deferred tax assets, net	1,646	–	–	1,646
	11,045	19,999	1,724	9,800
CURRENT ASSETS				
Accounts receivable	12,175	23,268	18,230	5,918
Prepayments, deposits and other receivables	5,626	1,909	4,581	2,811
Tax refundable	927	–	–	927
Cash and bank balances	162	9,256	34,758	202
	18,890	34,433	57,569	9,858
CURRENT LIABILITIES				
Accounts payable	541	4,969	12,967	82
Bills payable	8,084	–	–	–
Accrued expenses and other payables	1,331	4,051	1,384	1,194
Due to ultimate holding company	–	–	–	101
Taxes payable	1,078	2,045	2,341	804
Bank overdrafts – unsecured	84	–	2,005	–
	11,118	11,065	18,697	2,181
NET CURRENT ASSETS	7,772	23,368	38,872	7,677
TOTAL ASSETS LESS CURRENT LIABILITIES	18,817	43,367	40,596	17,477
MINORITY INTERESTS	(1,999)	(2,125)	(2,126)	(1,984)
	16,818	41,242	38,470	15,493
CAPITAL AND RESERVES				
Issued capital	15,000	15,000	15,000	15,000
Reserves	1,818	26,242	23,470	493
	16,818	41,242	38,470	15,493

AUDITED FINANCIAL STATEMENTS

The following is an extract of the audited financial statements of the Group from the annual reports of the Company for the year ended 31 March 2005.

Consolidated Income Statement
For the year ended 31 March 2005

	Notes	2005 HK$'000	2004 HK$'000
TURNOVER	5	38,864	96,804
Cost of sales		(42,035)	(86,938)
Gross (loss)/profit		(3,171)	9,866
Other revenue	6	250	937
Distribution costs		(626)	(976)
Administrative expenses		(4,033)	(3,953)
Provision for bad and doubtful debts	7	(3,093)	(56)
Other operating expenses		(2,085)	(3,044)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	7	(12,758)	2,774
Loss on disposals of fixed assets	14	(3,910)	–
Provision for impairment loss of other investments	15	(8,223)	–
Finance costs	8	(219)	(22)
(LOSS)/PROFIT BEFORE TAXATION		(25,110)	2,752
Taxation	10	1,841	(1,221)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(23,269)	1,531
Minority interests		126	1
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	(23,143)	1,532
DIVIDENDS	12	–	–
(LOSS)/EARNINGS PER SHARE	13		
– Basic (cent)		(7.71)	0.51
– Diluted (cent)		N/A	N/A

Consolidated Balance Sheet
As at 31 March 2005

	Notes	**2005** *HK$'000*	**2004** *HK$'000*
NON-CURRENT ASSETS			
Fixed assets	*14*	8,022	9,199
Other investments	*15*	1,377	10,800
Deferred tax assets, net	*22*	1,646	–
		11,045	19,999
CURRENT ASSETS			
Accounts receivable	*17*	12,175	23,268
Prepayments, deposits and other receivables		5,626	1,909
Tax refundable		927	–
Cash and bank balances		162	9,256
		18,890	34,433
CURRENT LIABILITIES			
Accounts payable	*18*	541	4,969
Bills payable	*19*	8,084	–
Accrued expenses and other payables		1,331	4,051
Taxes payable		1,078	2,045
Bank overdrafts – unsecured		84	–
		11,118	11,065
NET CURRENT ASSETS		7,772	23,368
TOTAL ASSETS LESS CURRENT LIABILITIES		18,817	43,367
MINORITY INTERESTS		(1,999)	(2,125)
		16,818	41,242
CAPITAL AND RESERVES			
Issued capital	*20*	15,000	15,000
Reserves	*21*	1,818	26,242
		16,818	41,242

Balance Sheet
As at 31 March 2005

	Notes	**2005** *HK$'000*	**2004** *HK$'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	*16*	13,172	13,172
CURRENT ASSETS			
Amounts due from subsidiaries	*16*	20,381	20,360
Cash and bank balances		5	6
		20,386	20,366
CURRENT LIABILITIES			
Accrued expenses and other payables		95	25
NET CURRENT ASSETS		20,291	20,341
NET ASSETS		33,463	33,513
CAPITAL AND RESERVES			
Issued capital	*20*	15,000	15,000
Reserves	*21*	18,463	18,513
		33,463	33,513

Statement of Changes in Equity of the Group and the Company
For the year ended 31 March 2005

Group

	Share capital	Share premium	Contributed surplus	Exchange reserve	Capital reserve	Retained profit/ (Accumulated loss)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2003	15,000	5,902	6,015	149	–	11,404	38,470
Arising on consolidation of a subsidiary company	–	–	–	40	–	–	40
Negative goodwill	–	–	–	–	1,200	–	1,200
Net profit for the year	–	–	–	–	–	1,532	1,532
Balance at 31 March 2004	15,000	5,902	6,015	189	1,200	12,936	41,242
Arising on consolidation of a subsidiary company	–	–	–	(81)	–	–	(81)
Negative goodwill transfer to other investments *(Note 15)*	–	–	–	–	(1,200)	–	(1,200)
Net loss for the year	–	–	–	–	–	(23,143)	(23,143)
Balance at 31 March 2005	15,000	5,902	6,015	108	–	(10,207)	16,818

Company

	Share capital	Share premium	Contributed surplus	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2003	15,000	5,902	12,947	(480)	33,369
Net profit for the year	–	–	–	144	144
Balance at 31 March 2004	15,000	5,902	12,947	(336)	33,513
Net loss for the year	–	–	–	(50)	(50)
Balance at 31 March 2005	15,000	5,902	12,947	(386)	33,463

Consolidated Cash Flow Statement

For the year ended 31 March 2005

	2005	**2004**
	HK$'000	*HK$'000*
(Loss)/Profit before taxation	(25,110)	2,752
Adjustments for:		
Depreciation	1,180	538
Loss on disposals of fixed assets	3,910	–
Provision for impairment loss on other investments	8,223	–
Provision for bad and doubtful debts	3,093	56
Interest expenses	219	22
Interest income	(5)	(209)
Operating cash flows before movements in working capital	(8,490)	3,159
Decrease/(Increase) in accounts receivable	8,000	(5,094)
(Increase)/Decrease in prepayments, deposits and other receivables	(3,717)	2,672
Increase/(Decrease) in accounts payable and bills payable	3,656	(7,998)
Decrease in accrued expenses and other payables	(2,720)	(818)
Cash used in operating activities	(3,271)	(8,079)
Interest paid	(219)	(22)
Hong Kong profits tax paid	(1,699)	(1,632)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(5,189)	(9,733)
INVESTING ACTIVITIES		
Interest received	5	209
Decrease in time deposits	–	25,709
Sales proceeds from disposals of fixed assets	3,909	–
Purchases of fixed assets	(7,828)	(8,013)
Purchase of a subsidiary company	–	(6,000)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(3,914)	11,905
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,103)	2,172
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,256	7,044
CHANGES IN FOREIGN EXCHANGE RATES	(75)	40
CASH AND CASH EQUIVALENTS AT END OF YEAR	78	9,256
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	162	9,256
Bank overdrafts	(84)	–
	78	9,256

Notes to Financial Statements

31 March 2005

1. CORPORATION INFORMATION

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

The principal activity of the Company is investment holding. During the year, the Group was principally involved in the provision of research, development and information-on-demand ("IOD") system solutions and the provision of related products and services.

In the opinion of the directors, as at 31 March 2005, the ultimate holding company of the Company was Internet Appliances (Holdings) Limited ("IA Holdings") which is incorporated in the British Virgin Islands.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2005. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

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

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

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

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

(b) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(c) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is transferred to the cost of acquisition when there are indications where there is a shortfall of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

On disposals of investments in subsidiary companies, the attributable amount of negative goodwill previously credited to the reserve accounts is included in the determination of the profit or loss on disposals of the subsidiary companies and other investments.

(d) Fixed assets

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

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

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

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

(e) Research and development costs

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

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

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

(f) Other investments

Investment securities intended to be held for identified long-term purpose or strategic reason are included in the balance sheet under non-current assets and are carried at cost less provision. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement and is written back to income statement when the circumstances and events that led to the write-down ease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Operating leases

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

(h) Cash and cash equivalents

Cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(i) Taxation

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

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

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

(j) Revenue recognition

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

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

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

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

(iv) Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(k) Dividends

Dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

(l) Translation of foreign currencies

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

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

(m) Accounts receivable

Trade debtors which generally have credit terms of not more than 90 days, except for certain well established customers, where the terms are extended to not more than 180 days, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(n) Pension scheme

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

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

(o) Provisions

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

(p) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication an impairment loss previously recognised for an asset in prior years may no longer be required. An asset's recoverability amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of 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.

(q) Contingent liabilities and contingent assets

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

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

(a) Business segments

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

	Internet appliances and related products		E-commerce platform and related services		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	36,872	87,311	1,992	9,493	38,864	96,804
RESULTS						
Segment results	(5,513)	6,503	(280)	917	(5,793)	7,420
Other revenue					5	209
Distribution costs					(626)	(976)
Administrative and other operating expenses					(3,251)	(3,823)
Provision for bad and doubtful debts					(3,093)	(56)
(Loss)/Profit from operating activities					(12,758)	2,774
Loss on disposals of fixed assets					(3,910)	–
Provision for impairment loss on other investments					(8,223)	–
Finance costs					(219)	(22)
(Loss)/Profit before taxation					(25,110)	2,752
Taxation					1,841	(1,221)
(Loss)/Profit before minority interests					(23,269)	1,531
Minority interests					126	1
Net (loss)/profit from ordinary activities attributable to shareholders					(23,143)	1,532
BALANCE SHEET						
ASSETS						
Segment assets	20,230	32,174	963	343	21,193	32,517
Unallocated assets					8,742	21,915
Total assets					29,935	54,432
LIABILITIES						
Segment liabilities	8,731	4,822	334	147	9,065	4,969
Unallocated liabilities					2,053	6,096
Total liabilities					11,118	11,065
Other segment information:						
Depreciation	782	130	–	–	782	130
Depreciation – unallocated					398	408
Capital expenditure	7,819	7,819	–	–	7,819	7,819
Capital expenditure – unallocated					9	194

(b) Geographical segments

No geographical analysis is presented for the years ended 31 March 2004 and 2005 as substantially all the Group's turnover and contribution to results were derived from the PRC (including Hong Kong).

5. TURNOVER

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

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Trading of internet appliances and related products	42,488	87,311
E-commence platform and related services	1,992	9,493
Less: Sales discounts	(5,616)	–
	38,864	96,804

6. OTHER REVENUE

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Interest income	5	209
Setup fee for computer networks and others	245	728
	250	937

7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	2005	2004
	HK$'000	*HK$'000*
Crediting:		
Interest income	5	209
Exchange gain	81	–
Charging:		
Auditors' remuneration	240	270
Provision for bad and doubtful debts	3,093	56
Cost of inventories sold	42,035	86,938
Directors' remuneration	332	359
Depreciation of fixed assets	1,180	538
Exchange losses	–	139
Operating leases in respect of land and buildings	505	603
Research and development costs	2,085	2,894
Pension scheme contributions	127	132
Staff costs (excluding directors' remuneration)	2,421	3,650

During the year, one of the customers was in financial difficulties and is now being liquidated. As the balance due from this customer amounting to HK$3,038,000 is not likely to be recoverable, the balance was provided in full amount.

Research and development costs include HK$1,720,000 (2004: HK$2,520,000) relating to staff costs and pension scheme contributions, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Research and development costs are included as "Other operating expenses" in the income statement.

8. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank overdrafts and bills wholly repayable within five years	219	22

9. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

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

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Fees:		
Executive directors	–	–
Independent non-executive directors	132	180
	132	180
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	200	179
Pension scheme contributions	–	–
	200	179

Three independent non-executive directors of the Group received individual emoluments of approximately HK$120,000 (2004: HK$120,000), HK$Nil (2004: HK$Nil), HK$12,000 (appointed on 30 September 2004) (2004: HK$Nil) during the year ended 31 March 2005 respectively. The independent non-executive director of the Group who has resigned on 1 October 2004 received HK$60,000 during the year ended 31 March 2005.

Emoluments of executive directors are as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Executive director A, resigned	–	179
Executive director B	100	–
Executive director C	100	–

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

	Number of directors	
	2005	**2004**
Emolument bands		
Nil to HK$1,000,000	5	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

(b) The five highest paid employees during the year included no (2004: Nil) director, details of whose remuneration are set out above. Details of the remuneration of the five (2004: five) highest paid employees are set out as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,307	1,455
Pension scheme contributions	60	60
	1,367	1,515

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

During the year, no emoluments were paid by the Group to any of the directors or the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2004: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2004: Nil).

10. TAXATION

No provision for taxation has been made (2004: 17.5%) as the Company has an estimated loss for Hong Kong profits tax purposes in the current year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The amount of taxation in the consolidated income statement represents:

	2005	**2004**
	HK$'000	*HK$'000*
Current tax – provision for Hong Kong profits tax		
Current year	–	470
Over provision in prior years	(350)	(369)
Under provision in prior years	155	1,120
	(195)	1,221
Deferred tax		
Temporary differences *(Note 22)*	(1,646)	–
	(1,841)	1,221

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

	2005	2004
	HK$'000	*HK$'000*
(Loss)/Profit before taxation	(25,110)	2,752
Taxation (credit)/charge at the domestic tax rate of 17.5% (2004: 17.5%)	(4,394)	482
Effect of different tax rates of a subsidiary company operating in the PRC	32	–
Tax effect on non-deductible expenses	2,479	23
Tax effect of non-taxable revenue	–	(26)
Tax effect on accelerated depreciation allowance	11	(9)
Tax effect on unused tax losses not recognised	1,872	–
Recognition of deferred tax assets	(1,646)	–
Over provision in prior years	(350)	(369)
Under provision in prior years	155	1,120
Tax (credit)/charge for the year	(1,841)	1,221

Details of movement of the Group's deferred tax assets are set out in note 22 to the financial statements.

11. NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

Net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$50,000 (2004: Net profit of HK$144,000).

12. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2004: Nil).

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$23,143,000 (2004: net profit of HK$1,532,000) and on the weighted average number of 300,000,000 (2004: 300,000,000) ordinary shares of the Company. Diluted (loss)/earnings per share is not presented as there are no diluting events during the year.

14. FIXED ASSETS

Group

	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2004	928	183	1,433	526	7,819	10,889
Exchange translation differences	(1)	(1)	(4)	(2)	–	(8)
Additions	–	–	9	–	7,819	7,828
Disposals	–	–	–	–	(7,819)	(7,819)
At 31 March 2005	927	182	1,438	524	7,819	10,890
Accumulated depreciation						
At 1 April 2004	716	102	634	108	130	1,690
Exchange translation differences	3	–	(3)	(2)	–	(2)
Charge for the year	49	34	268	47	782	1,180
At 31 March 2005	768	136	899	153	912	2,868
Net book value						
At 31 March 2005	159	46	539	371	6,907	8,022
At 31 March 2004	212	81	799	418	7,689	9,199

During the year, plant and machinery of HK$7,819,000 was acquired from a third party. Due to the over-estimation of the production volume, this plant and machinery was idle. In order to ease the working capital, this was sold at a consideration of HK$3,909,000. Accordingly, a loss of HK$3,910,000 was incurred and this has been charged to the income statement during the year.

15. OTHER INVESTMENTS

Other investments represent an investment, at cost, in a company listed in Hong Kong.

	Group 2005	2004
	HK$'000	*HK$'000*
Listed equity securities, at cost	10,800	10,800
Transfer from capital reserve account	(1,200)	–
Provision for impairment loss	(8,223)	–
	1,377	10,800
Market value	1,377	11,520

Provision for impairment loss during the year amounting to HK$8,223,000 is determined based on the market value of the shares listed on GEM as at 31 March 2005.

Details of other investments held by the Group as at 31 March 2005, are as follows:

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

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	13,172	13,172
Amounts due from subsidiaries	20,381	20,360
	33,553	33,532

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Details of subsidiary companies are as follows:

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

17. ACCOUNTS RECEIVABLE

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

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Within 30 days	3,430	5,745
31-60 days	2,421	6,194
Over 61 days	6,324	11,329
	12,175	23,268

18. ACCOUNTS PAYABLE

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

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Within 30 days	405	4,867
31-60 days	–	–
Over 61 days	136	102
	541	4,969

19. BANK BORROWINGS

At 31 March 2005, the Group has general banking facilities available of HK$10,000,000 (2004: HK$10,000,000). The facilities provided to the subsidiary of the Company were guaranteed by the Company.

20. SHARE CAPITAL

(a) Shares

	2005	**2004**
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	100,000	100,000
Issued and fully paid:		
300,000,000 ordinary shares of HK$0.05 each	15,000	15,000

There have been no movements in share capital during the years ended 31 March 2004 and 31 March 2005.

(b) Share options

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

At the balance sheet date and the date of approval of these financial statements, no share options had been granted under the Scheme.

21. RESERVES

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

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

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

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

22. DEFERRED TAX ASSETS

The Company had no significant unrecognised deferred taxation at the balance sheet date.

At the balance sheet date, the Group had recognised deferred taxation assets as follows:

(a) deferred tax assets of HK$1,683,000 (2004: unrecognised deferred assets of HK$9,000) were recognised on tax losses in the current year; and

(b) deferred tax liabilities amounting to HK$37,000 (2004: unrecognised deferred tax liabilities of HK$26,000) were provided on temporary differences arising from accelerated depreciation difference.

The Group's unrecognised deferred tax assets as at 31 March 2004 is as follows:

	Group
	2004
	HK$'000
Taxation effect of temporary differences arising as a result of:	
Tax losses available to set off against future assessable profits	9
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	(26)
	(17)

The Group's unrecognised deferred tax credit for the year ended 31 March 2004 is as follows:

	Group 2004 *HK$'000*
Taxation effect of timing differences arising as a result of:	
Tax losses arising	2
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	(17)
	(15)

23. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005 *HK$'000*	**2004** *HK$'000*
Within one year	84	213
In the second to fifth years, inclusive	–	–
	84	213

24. COMMITMENTS

Save for the operating lease commitments detailed in note 23 above, at the balance sheet date, neither the Group, nor the Company had significant commitments.

25. CONTINGENT LIABILITIES

	Company	
	2005 *HK$'000*	**2004** *HK$'000*
Guarantee provided to a subsidiary company for its utilised banking facilities at the balance sheet date	8,084	–

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2005.

PRO-FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

(I) UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma balance sheet of the Enlarged Group, assuming that the transactions contemplated under the Agreement had been implemented on 30 September 2005 based on the unaudited consolidated balance sheet of the Group as at 30 September 2005, extracted from the Company's 2005/2006 half-yearly report as set out in Appendix 2 to this circular, the audited balance sheet of Target Group as at 30 September 2005 as set out in Appendix 1 to this circular, and adjusted to reflect the effect of Completion of the Agreement.

Based on the above basis, the pro forma current liabilities as at 30 September 2005 of the Enlarged Group exceeded the net current assets by HK$2,832,000. The Directors have prepared its cash flow forecast for the next twelve months and consider that the Enlarged Group can be operated as a going concern. Accordingly, the unaudited pro forma balance sheet is prepared on a going concern basis.

The unaudited pro forma balance sheet of the Enlarged Group is prepared to provide the unaudited pro forma financial information on the Enlarged Group as a result of Completion of the Agreement. As it has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	As at 30 September 2005				
	(Unaudited) The Group	**(Audited) Target Group**		**Pro forma adjustments**	**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	7,434	19,247			26,681
Product development costs	–	10,219			10,219
Deposits made for acquisition of fixed assets	–	1,090			1,090
Other investments	720	–			720
Goodwill	–	–	*(1)*	17,119	17,119
Deferred tax assets, net	1,646	–			1,646
	9,800	30,556			57,475
Current assets					
Inventories	–	25,571			25,571
Accounts receivable	5,918	19,470			25,388
Prepayments, deposits and other receivables	2,811	4,735	*(5)*	2,280	9,826
Available-for-sale investments	–	2,325			2,325
Tax refundable	927	–			927
Pledged bank deposits	–	11,176			11,176
Due from ultimate holding Company	–	2,280	(5)	(2,280)	–
Cash and bank balances	202	622			824
	9,858	66,179			76,037

	As at 30 September 2005				
	(Unaudited) The Group HK$'000	(Audited) Target Group HK$'000	Notes	Pro forma adjustments HK$'000	Pro forma Enlarged Group HK$'000
Current liabilities					
Accounts payable and bills payable	82	9,936			10,018
Deposit received, accrued expenses			(2)	1,000	
and other payables	1,194	4,937	(5)	4,944	12,075
Due to ultimate holding company	101	4,944	(5)	(4,944)	101
Interest-bearing bank borrowings	–	52,649			52,649
Finance lease payables	–	2,452			2,452
Taxes payable	804	770			1,574
	2,181	75,688			78,869
Net current assets/(liabilities)	7,677	(9,509)			(2,832)
Total assets less current liabilities	17,477	21,047			54,643
Non-current liabilities					
Interest-bearing bank borrowings	–	2,012			2,012
Finance lease payables	–	3,786			3,786
Provision for long services payments	–	171			171
Promissory note	–	–	(3c)	13,700	13,700
Convertible notes	–	–	(3b)	7,761	7,761
Deferred tax	–	197			197
	–	6,166			27,627
Net assets	17,477	14,881			27,016
Capital and reserves					
Issued capital	15,000	29	(3a)	3,750	18,750
			(4)	(29)	
Reserves	493	14,852	(2)	(1,000)	6,282
			(3a)	5,250	
			(3b)	1,539	
			(4)	(14,852)	
	15,493	14,881			25,032
Minority interests	1,984	–			1,984
Total equity	17,477	14,881			27,016

Notes:–

(1) The adjustment reflects the excess of the Group's interest in the net fair value of the Target Group's identifiable assets, liabilities and contingent liabilities over cost arising from the acquisition of 100% interest in the Target Group for a total consideration of HK$32,000,000 with the assumption that the fair value of Target Group is the same as the carrying amount of net assets of approximately HK$14,881,000 as at 30 September 2005. Based on the information provided to us, we are not aware of any significant provision for impairment loss on goodwill required.

(2) The adjustment reflects the accrued professional fees of HK$1,000,000 in respect of the Acquisition.

(3) The adjustment reflects the acquisition at the purchase price of HK$32,000,000, which will be satisfied by the allotment and issue of 75,000,000 Consideration Shares of HK$9,000,000 credited as fully paid, issue of Convertible Notes of HK$9,300,000 and issue of Promissory Note of HK$13,700,000.

a) The Consideration Shares are recorded at the agreed issue price of HK$0.12 per Share. 75,000,000 Consideration Shares of HK$0.05 each, totalling HK$3,750,000 is accounted for as an issued capital and the premium of HK$5,250,000 over the par value of the shares is credited to the reserves account.

b) The Company issues Convertible Notes with a nominal value of HK$9,300,000. These notes are interest free. The Company shall repay such principal moneys outstanding under the Convertible Notes to the Noteholder up to and including the date falling on the second anniversary of the date of issue of the Convertible Notes. The Noteholder will have the right to convert the whole or any part of the principal amount of the Convertible Notes into Shares at any time and from time to time after six months from the date of issue of the Convertible Notes up to the date immediately prior to the Maturity Date at conversion price of HK$0.19. The fair value of the liability component and the equity conversion component were determined at the date of issuance of the Convertible Notes based on the discounted rate of 9.25% (that is prime rate plus 2%) per annum.

Under HKAS 32 and 39, convertible notes that are convertible to shares are accounted for as compound instruments with both a liability and equity element. The liability component is calculated at the present value of the cash flows of future principal payments (as there is no interest element), discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component is calculated at the excess of the issued proceeds over the liability component.

By taking the discount rate at 9.25% per annum, the present value of the liability component is HK$7,761,000 and the difference between the liability component and the face value of the Convertible Notes, being HK$1,539,000 is accounted for as a reserve movement.

c) The Company issues Promissory Note of HK$13,700,000. This note is interest free. The Company shall repay the principal amount of the Promissory Note in one lump sum after two years from the date of issue of Promissory Note. The Company could, at its option, repay the Promissory Note in whole or in part in multiples of HK$1 million by giving a prior ten Business Day's written notice to the Vendor, commencing on the date three months after the Completion Date and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligation under the Promissory Note for any early repayment.

(4) The adjustment represents elimination of issued capital and pre-acquisition profits of the Target Group.

(5) The adjustment represents reallocation of amount due from/to the ultimate holding company of the Target Group to other receivables/payables of the Enlarged Group. Such adjustment is made because the ultimate holding company of Target Group will cease to be the ultimate holding company of the Enlarged Group following the Completion.

(II) UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma income statement of the Enlarged Group, assuming that the transactions contemplated under the Agreement had been implemented as at the commencement of the six months ended 30 September 2005 based on the unaudited consolidated income statement of the Group for the six months ended 30 September 2005, extracted from the Company's 2005/2006 half-yearly report as set out in Appendix II to this circular, the audited income statement of Target Group for the six months ended 30 September 2005 as set out in Appendix I to this circular, and adjusted to reflect the effect of the Completion.

The unaudited pro forma income statement of the Enlarged Group is prepared to provide the unaudited pro forma financial information of the Enlarged Group as a result of the Completion. As it has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the results of the Enlarged Group for the financial period in respect of which it is prepared or for any future financial periods.

	Six months ended 30 September 2005				
	(Unaudited) The Group	**(Audited) Target Group**		**Pro forma adjustments**	**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Turnover	15,750	34,920			50,670
Cost of sales	(14,114)	(26,177)			(40,291)
Gross profit	1,636	8,743			10,379
Other revenue	2	1,124			1,126
Distribution costs	(54)	(451)			(505)
Administrative expenses	(1,739)	(5,393)	*(1)*	(1,000)	(8,132)
Other operating expenses	(466)	–			(466)
(Loss)/profit from operating activities	(621)	4,023			2,402
Provision for impairment loss of other investments	(657)	–			(657)
Finance costs	(339)	(1,850)			(2,189)
(Loss)/profit before taxation	(1,617)	2,173			(444)
Taxation	278	380			658
(Loss)/profit for the period	(1,339)	2,553			214
Attributable to:					
Equity holders of the parent	(1,325)	2,553	*(1)*	(1,000)	228
Minority interests	(14)	–			(14)
	(1,339)	2,553			214

Notes:–

(1) The adjustment reflects the estimated professional fees incurred for the Acquisition. The Company does not intend to capitalize such amount as part of investment cost in view of the immaterial amount involved.

(III) UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma cash flow statement of the Enlarged Group, assuming that the transactions contemplated under the Agreement had been implemented as at the commencement of the six months ended 30 September 2005 based on the unaudited consolidated cash flow statement of the Group for the six months ended 30 September 2005, the audited cash flow statement of the Target Group as set out in Appendix I to this circular, and adjusted to reflect the effect of the Completion.

The unaudited pro forma cash flow statement of the Enlarged Group is prepared to provide the unaudited pro forma financial information on the Enlarged Group as a result of the Completion. As it has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the financial period in respect of which it is prepared or for any future financial periods.

	Six months ended 30 September 2005				
	(Unaudited) The Group *HK$'000*	**(Audited) Target Group** *HK$'000*	*Notes*	**Pro forma adjustments** *HK$'000*	**Pro forma Enlarged Group** *HK$'000*
(Loss)/profit before taxation	(1,617)	2,173	*(1)*	(1,000)	(444)
Adjustments for:					
Depreciation and amortisation	588	2,388			2,976
Provision for impairment loss on other investments	657	–			657
Interest income	–	(129)			(129)
Interest expenses	339	1,850			2,189
Operating cash flows before movements in working capital	(33)	6,282			5,249
Increase in inventories	–	(7,962)			(7,962)
Decrease/(increase) in accounts receivable	6,257	(2,102)			4,155
Decrease in prepayments, deposits and other receivables	2,815	266			3,081
(Decrease)/increase in accounts payable and bills payable	(8,543)	3,509			(5,034)
(Decrease)/increase in deposit received, accrued expenses and other payables	(137)	862	*(1)*	1,000	1,725
Increase in due to ultimate holding company	101	–			101
Cash generated from operating activities	460	855			1,315
Interest paid	(339)	–			(339)
Hong Kong profits tax paid	3	(1)			2
NET CASH INFLOW FROM OPERATING ACTIVITIES	124	854			978
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of fixed assets	–	(2,854)			(2,854)
Increase in product development costs	–	(2,181)			(2,181)
Decrease in amount due from a related company	–	2,400			2,400
Decrease in amount due from a shareholder of ultimate holding company	–	100			100
Interest received	–	129			129
Net cash used in investing activities	–	(2,406)			(2,406)

	Six months ended 30 September 2005				
	(Unaudited) The Group *HK$'000*	(Audited) Target Group *HK$'000*	*Notes*	Pro forma adjustments *HK$'000*	Pro forma Enlarged Group *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES:					
Increase in amount due to ultimate holding company	–	(18,247)			(18,247)
Dividends paid	–	(1,750)			(1,750)
Interest paid	–	(1,850)			(1,850)
Repayment of bank loans	–	(2,431)			(2,431)
Repayment of obligations under finance leases	–	(622)			(622)
Repayment of other loans	–	(60)			(60)
Proceeds from issue of shares	–	18,753			18,753
Increase in trust receipt loans	–	8,332			8,332
Increase in pledged bank deposits	–	(10)			(10)
Net cash generated from financing activities	–	2,115			2,115
NET INCREASE IN CASH AND BANK BALANCES	124	563			687
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	78	(27,188)			(27,110)
CASH AND BANK BALANCES AT THE END OF THE PERIOD	202	(26,625)			(26,423)

Notes:–

(1) The adjustments reflects the accrued professional fees of HK$1,000,000 in respect of the Acquisition.

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Baker Tilly Hong Kong Limited.

BAKER TILLY
HONG KONG LIMITED
Certified Public Accountants

正風會計師事務所有限公司

12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

24 February 2005
The Board of Directors
IA International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of IA International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Union Bridge Group Limited ("Union Bridge") (hereinafter collectively referred to as the "Enlarged Group") set out in Appendix III to the circular dated 24 February 2006 issued in connection with a very substantial transaction in relation to the proposed acquisition of 100% interest in the issued capital of Union Bridge (the "Circular"), which has been prepared, for illustrative purposes only, to provide information about how the acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules").

It is our responsibility to form an opinion, as required by paragraph 31 (7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports 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 work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved on independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with the Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out in Appendix III to the Circular for illustrative purpose only and, because of its nature, it may not give an indicative of:

(a) the financial position of the Enlarged Group at 30 September 2005 or any future date; or

(b) the results and cash flows of the Enlarged Group for the six months ended 30 September 2005 or any future period.

Opinion

In our opinion:

- the unaudited pro forma financial information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of the Enlarged Group; and
- the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,
Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong

Chan Cheuk Chi
Practising Certificate number P01137

INDEBTEDNESS

Borrowings

As at 31 December 2005 (the latest practicable date for this statement of indebtedness prior to printing of this circular), the Group and the Enlarged Group had the borrowings as follows:

	As at 31 December 2005	
		Pro forma
	The Group	**Enlarged Group**
	HK$'000	*HK$'000*
Current liabilities		
Other payables	–	4,944
Due to ultimate holding company	356	356
Interest-bearing bank borrowings	115	55,871
Finance lease payables	–	843
	471	62,014
Non-current liabilities		
Interest-bearing bank borrowings	–	3,445
Finance lease payables	–	4,786
	–	8,231
Total borrowings	471	70,244

Securities and guarantees

(i) Short term bank borrowings

As at 31 December 2005, the Group had been granted short term credit facilities of HK$3,000,000 granted by a local bank.

As at 31 December 2005, the Enlarged Group had been granted short term credit facilities of HK$59,930,000 by local banks of which HK$55,871,000 were utilized. The short term bank borrowings of HK$115,000 were secured by corporate guarantees provided by the Company. Short term bank borrowings of HK$55,756,000 were secured by the buildings owned by a subsidiary of the Target and a third party, pledged deposits, corporate guarantees provided by the subsidiaries of the Target and third parties and personal guarantee provided by third parties.

(ii) Long term bank borrowings

As at 31 December 2005, the Group did not have any long term credit facilities granted by the banks.

As at 31 December 2005, the Enlarged Group had been granted long term credit facilities of HK$9,000,000 by local banks of which HK$3,445,000 were utilized. The long term bank borrowings were secured by the buildings owned by a subsidiary of the Target and a third party.

(iii) Finance leases

As at 31 December 2005, the Group did not have any obligations under finance leases.

As at 31 December 2005, the Enlarged Group had obligations under finance leases totalling HK$12,716,000 of which HK$7,087,000 will be due within one year. The net book value of the assets held under finance leases amounted to HK$7,943,000.

Contingent liabilities

As at 31 December 2005, the Group and the Enlarged Group had no material contingent liabilities.

Commitments

As at 31 December 2005, the Group and the Enlarged Group had operating lease commitments of approximately HK$ Nil and HK$1,252,000 respectively in respect of rental premises, which were not provided for in the Enlarged Group's pro forma financial information.

As at 31 December 2005, the Group and the Enlarged Group had capital commitments of approximately HK$ Nil and HK$700,000 respectively in respect of acquisition and development of assets, which were not provided for in the Enlarged Group's pro forma financial information.

Disclaimers

To the best knowledge of the Directors, save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, none of the companies in the Enlarged Group has outstanding mortgages, charges, debentures, or other loan capital, loans or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at the close of business on 31 December 2005.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group and the Enlarged Group since 31 December 2005.

WORKING CAPITAL

Taking into account the internal generated funds and all the presently available credit facilities, the Directors are of the opinion that the Group and the Enlarged Group will, following the completion of the Agreement, have sufficient working capital for their present requirements, that is for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

MATERIAL ADVERSE CHANGE

The Directors confirm that (i) there has been no material adverse change in the financial or trading position of the Group since 31 March 2005, the date to which the latest audited financial statements of the Group were made up; and (ii) there has been no material adverse change in the financial or trading position of Target Group since 30 September 2005, the date to which the latest audited financial statements of the Target Group were made up.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL INFORMATION CONDITION AND RESULT OF OPERATION OF THE ENLARGED GROUP

For the year ended 31 March 2003

Business Review

General

The Group is principally engaged in the research, development and provision of information-on-demand ("IOD") system solutions and the provision of related products and services. With a view to becoming a total IOD system solution provider, the Group is working on the development of its e-commerce platform and related applications and is improving its capability to supply internet appliances and strengthening its research and development capabilities.

During the year under review, the Group expanded its research and development department by setting up a research and development department in Hong Kong in late 2002 and recruiting additional 4 software engineers, with extensive experience in the research and development of software systems. In relation to the development of the IOD system solutions, the Group continues to broaden its customer base and diversify its product types in order to remain competitive and to seek further growth opportunities.

Financial Review

Results

The Group has achieved a growth of approximately 112% in its turnover for the year ended 31 March 2003 to approximately HK$104 million compared to the previous corresponding year. The increase was mainly attributable to the increase in the quantities of iDVDs, auto DVDs and related products sold and increase in service fees from the development of Inter net platforms for governmental agencies in the PRC.

Net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003 amounted to approximately HK$4,163,000, representing an increase of approximately 13% compared to the previous corresponding year. The increase was mainly attributable to the increase in turnover.

Liquidity, financial resources and capital structure

As at 31 March 2003, the Group had total assets of approximately HK$59.3 million (2002: HK$45.7 million), including cash and bank balances of approximately HK$34.8 million (2002: HK$27.8 million).

During the year ended 31 March 2003, the Group financed its operations mainly with its own working capital and was granted overdrafts facilities of approximately HK$2 million (2002: HK$5 million), which was fully utilised at the balance sheet date. There was no charge on the Group's assets as at 31 March 2003 and 2002.

As at 31 March 2003, the gearing ratio (defined as the ratio between total bank borrowings and total assets), was 0.03 (2002: 0.11). The outstanding bank borrowing represents bank overdraft denominated in Hong Kong dollars of approximately HK$2 million (2002: HK$5 million). The Group had no borrowings stated at fixed interest rates at the balance sheet date (2002: Nil).

Most of the transactions of the Group are denominated in US Dollars, Hong Kong Dollars and Renminbi. As the exchange rate of US Dollars and the Renminbi to Hong Kong Dollars are fairly stable, the Directors are of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Segment information

The revenue of the Group comprises the sales of Internet appliances and related products and service fees from the provision of the development of e-commerce platforms and related services.

Revenue from the sales of internet appliances and related products increased by approximately 73% to approximately HK$85 million and that from the provision of the development of e-commerce platform and related services increased to approximately HK$19 million from nil in the previous years.

As to the geographical segments, sales to PRC market have increased substantially from approximately HK$22 million to approximately HK$99 million and that to the US market has decreased from approximately HK$24 million to approximately HK$4 million. There was no sales to the Middle East in the year ended 31 March 2003 and sale to other regions increased from approximately HK$1 million to approximately HK$1.3 million.

New products and services

To expand its product range, the Group introduced Internet appliances related products during the financial year. The Group is continuing to develop new products to strengthen its competitive position.

The Group commenced to receive services fee from the development of Internet platforms for governmental agencies in the PRC during the year and will continue to promote the development of Internet platforms to other governmental agencies in the PRC.

Significant investments

At 31 March 2003, there was no significant investment held by the Group (2002: Nil).

Material acquisitions or disposal of subsidiaries and affiliated companies

There were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of the year.

Future plans for material investments and expected source of funding

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 24 October 2001 (the "Prospectus") under the sections headed "Statement of Business Objectives" and "Reasons for the Placing and Use of Proceeds" respectively. Other than those disclosed under sections headed "Use of Proceeds from Issuance of New Shares" and "Comparison of Business Objectives with Actual Business Progress" in the annual report for the year ended 31 March 2003, the Group did not have any plan for material investments or capital assets.

Contingent liabilities

The Company had provided guarantees for the bank facilities granted to a wholly-owned subsidiary of which HK$12 million was utilised as at 31 March 2003 (2002: HK$5 million). The Group had no other material contingent liabilities (2002: Nil).

Employees and remuneration policies

As at 31 March 2003, the Group had 51 (2002: 49) full time employees. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. To date, no share options have been granted to employees.

Prospects

The financial year ended 31 March 2003 has indeed been a challenging year. The Group has managed to achieve a profit higher than previous year by developing and introducing new Internet appliances and related products and yet remained focused on its objective to becoming a total IOD system solutions provider.

The Group is cautiously optimistic about its future prospects. The key factors will be the control of SARS in the PRC and the speed of recovery in the global economy.

The Group will continue to explore new markets and develop new products as well as to control the operating costs in order to stay competitive. The Group will also continue to explore investment opportunities in the areas relating to the Group's existing operations so as to optimize the shareholders' interests.

For the year ended 31 March 2004

Business Review

General

The Group is principally engaged in the research, development and provision of IOD system solutions and the provision of related products and services. An IOD system solution enables internet users to obtain and process information via the internet. The Group, based on the developed e-commerce platform, is finalizing on the specific features for the targeted e-education segment and is also improving its capability to supply internet appliances and strengthening its research and development capabilities.

During the year under review, the Group assisted the Guangzhou Government in the PRC in the development of an e-Tax platfor m, working hand in hand with a business partner in the PRC and service fee of approximately HK$2 million was received. The Group is also in the final stage of launching the Group's IOD system solution for an education institute in Hong Kong. The Group is confident that with the successful launch of the Group's IOD system solution, more contracts will be secured. The Group also continued to broaden its customer base and diversify its products and services to stay competitive and to seek further growth opportunities.

Financial Review

Results

The Group recorded a decline of approximately 7.3% in its turnover for the year ended 31 March 2004 to approximately HK$96.8 million compared to the previous corresponding year. The decrease was attributable to the decrease in various services and related fees from the development of internet platforms in the PRC. The gross profit margin decreased to approximately 10.2% from approximately 13.8% in the previous corresponding year. The decrease in gross profit margin was attributable to the decrease in average selling prices due to intense competition.

Net profit from ordinary activities attributable to shareholders for the year ended 31 March 2004 amounted to approximately HK$1,532,000, representing a decrease of approximately 63.2% compared to the previous corresponding year. The decrease was mainly attributable to the decrease in turnover and gross profit margin. Administrative expenses decreased by approximately 28.6% to approximately HK$4 million during the year due to the decrease in directors' remuneration and staff salaries in an effort to reduce operating costs of the Group.

Liquidity, financial resources and capital structure

As at 31 March 2004, the Group had total assets of approximately HK$54.4 million (2003: HK$59.3 million), including cash and bank balances of approximately HK$9.3 million (2003: HK$34.8 million). For the year ended 31 March 2004, the Group financed its operations mainly with its own working capital and was granted general banking facilities of HK$10 million (2003: HK$30 million). This was not utilised at the balance sheet date (2003: HK$12 million). There was no charge on the Group's assets as at 31 March 2004 and 2003.

As at 31 March 2004, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2003: 0.03) as the Group has no bank borrowings as at 31 March 2004 (2003: HK$2 million). The Group had no borrowings stated at fixed interest rates at the balance sheet date (2003: Nil).

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

Segment information

The revenue of the Group comprises the sales of internet appliances and related products and service fees from the provision of the development of e-commerce platforms and related services.

Revenue from the sales of internet appliances and related products increased by approximately 2.5% to approximately HK$87.3 million and that from the provision of the development of e-commerce platform and related services decreased to approximately HK$9.5 million from approximately HK$19.2 million in the previous corresponding year, a decrease of approximately 50.5%.

As to the geographical segments, all sales of the Group of approximately HK$96.8 million were generated in the PRC market as compared to approximately HK$98.9 million, representing approximately 94.8% of the total sales of the Group, in the previous year. No sales were made to the US and other markets in the year ended 31 March 2004, as compared to approximately HK$4.2 million and HK$1.3 million in the corresponding previous year.

New products and services

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position.

The Group also continued to receive services fee from the development of internet platforms for governmental agencies in the PRC during the year, working hand in hand with a business partner in the PRC and will continue to promote the development of internet platforms to other governmental agencies in the PRC.

Significant investments

At 31 March 2004, the significant investment held by the Group is as follows (2003: Nil):

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

Material acquisitions or disposals of subsidiaries and affiliated companies

Other than the investments as described below, there were no material acquisitions or disposals of subsidiaries and affiliated companies during the year:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
IA Enterprise Limited	Hong Kong	HK$1,000,000 Ordinary	–	100	Trading of internet appliances
Sunny Sky Investments Management Limited	British Virgin Islands	US$1 Ordinary	–	100	Investment holding

Future plans for material investments and expected source of funding

Details for the Group's plans for material investments or capital assets and their expected source of funding for the period up to 31 March 2004 have been stated in the Prospectus under the sections headed "Statement of Business Objectives" and "Reasons for the Placing and Use of Proceeds" respectively. Other than those disclosed under the sections headed "Use of Proceeds from Issuance of New Shares" and "Comparison of Business Objectives with Actual Business Progress" in the annual report for the year ended 31 March 2004, the Group has no other plans for material investments or capital assets.

Contingent liabilities

The Company had provided guarantees for the bank facilities granted to a wholly-owned subsidiary which was not utilised as at 31 March 2004 (2003: HK$12 million).

The Group had no other material contingent liabilities (2003: Nil).

Employees and remuneration policies

As at 31 March 2004, the Group had 42 (2003: 51) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$3.8 million for the year ended 31 March 2004 (2003: HK$3.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. To date, no share options have been granted to employees.

For the year ended 31 March 2005

Business Review

General

The Group is principally engaged in the research, development and provision of IOD system solutions and the provision of related products and services. An IOD system solution enables internet users to obtain and process information via the internet.

Due to the slower than expected development progress of the Group's IOD system, whilst the sales of internet appliances and related products decreased substantially during the year owing to intense competition in the electronic business and some quality problems, the Group recorded losses in the year under review.

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

Financial Review

Results

The Group recorded a decline of approximately 59.9% in its turnover for the year ended 31 March 2005 to approximately HK$38.9 million compared to the previous corresponding year. The Group's turnover comprises turnover from the internet appliances and related products and income from the development of e-commerce platform and related services. Turnover from the internet appliances and related products segment recorded a decrease of approximately 57.8% in the current year compared to the previous corresponding year owing to intense competition and sales discounts. Income from the development of e-commerce platform and related services recorded a decrease of approximately 79.0% in the current year compared to the previous corresponding year. This was due to the decrease in services fee from the development of various internet platforms in the PRC.

The Group recorded a gross loss in the current year owing to quality problems in some products developed, as a result, sales discounts were given. The Group also recorded a general decrease in selling prices due to intense competition. Gross profit margin of approximately 10.2% was recorded in the previous corresponding year.

Net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 amounted to approximately HK$23.1 million (2004: net profit of approximately HK$1.5 million). Losses during the year were mainly attributed to decrease in sales and gross profit, provision for impairment loss of investments, loss on disposals of fixed assets and provision for bad and doubtful debts.

Liquidity, financial resources and capital structure

As at 31 March 2005, the Group had total assets of approximately HK$29.9 million (2004: approximately HK$54.4 million), including net cash and bank balances of approximately HK$78,000 (2004: approximately HK$9.3 million).

For the year ended 31 March 2005, the Group financed its operations mainly with its own working capital and was granted general banking facilities of HK$10 million (2004: HK$10 million). Approximately HK$8.2 million was utilised at the balance sheet date (2004: Nil). There was no charge on the Group's assets as at 31 March 2004 and 2005.

As at 31 March 2005, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0.27 (2004: Zero). The Group had bank borrowings of approximately HK$8.2 million as at 31 March 2005 (2004: Nil). The Group had no borrowings stated at fixed interest rates at the balance sheet date (2004: Nil).

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

Segment information

The revenue of the Group comprises the sales of internet appliances and related products and services fee from the provision of the development of e-commerce platforms and related services.

Revenue from the sales of internet appliances and related products decreased by approximately 57.8% to approximately HK$36.9 million and that from the provision of the development of e-commerce platform and related services decreased to approximately HK$2.0 million, a decrease of approximately 79.0% compared to the previous corresponding year.

As to the geographical segments, all sales of the Group were generated in the PRC market during the year ended 31 March 2004 and 2005.

New products and services

The Group continued to develop new products to increase its products range and strengthen its competitive position during the year.

The Group also continued to receive services fee from the development of internet platforms for governmental agencies in the PRC during the year, in some cases, working hand in hand with a business partner in the PRC and will continue to promote the development of internet platforms to other governmental agencies in the PRC.

Significant investments

As at 31 March 2005, other than the investment in the listed securities of a company listed in Hong Kong detailed below, the Group did not have any other significant investments. A provision of approximately HK$8.2 million has been made for the impairment in value during the year:

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

Material acquisitions or disposals of subsidiaries and affiliated companies

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

Future plans for material investments and expected source of funding

As at 31 March 2005, the Group did not have any plan for material investment or acquisition of material capital assets. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Company had provided guarantees for the bank facilities granted to a wholly-owned subsidiary. Approximately HK$8.1 million was utilised as at 31 March 2005 (2004: Nil).

The Group had no other material contingent liabilities (2004: Nil).

Employees and remuneration policies

As at 31 March 2005, the Group had 32 (2004: 42) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$2.5 million for the year ended 31 March 2005 (2004: approximately HK$3.8 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. To date, no share options have been granted to employees.

The valuation report on the property interests of the Group has been prepared for the sole purpose for the inclusion in this circular. The following is the text of the letter, summary of values and the valuation certificates received from B.I. Appraisals Limited and addressed to the Company in connection with its valuation as at 31 December 2005 of the property interests of the Group.

B.I.
To Know Your Strength Better

B. I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants
Unit B, 38th Floor, Bank of China Tower, No. 1 Garden Road, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

24 February 2006

The Directors
IA International
Holdings Limited
Unit A, 15th Floor
Long To Building
654 & 656 Castle Peak Road
Lai Chi Kok, Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions from IA International Holdings Limited (hereinafter referred to as the "Company") for us to value the property interests in the properties held and leased/licensed by Union Bridge Group Limited and/or its subsidiaries (hereinafter together referred to as the "Union Bridge Group") in Hong Kong and in the People's Republic of China (the "PRC") as listed in the attached summary of values, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of such property interests as at 31 December 2005 (hereinafter referred to as the "date of valuation"). It is our understanding that this valuation document is to be used for public disclosure purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, lists out the assumptions and the title investigation we have made in the course of our valuations, and states the limiting conditions.

BASIS OF VALUATION

Our valuation of the property interest in each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the property interests on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the property interests are to be offered for sale at the same time as a portfolio.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In arriving at our opinion of value of the property interest in Group I, which is held and occupied by the Union Bridge Group, we have adopted the Direct Comparison Approach assuming such property is capable of being sold in the existing state with the benefit of immediate vacant possession. Comparison based on prices realized on actual sales or offerings of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of the property interest in order to arrive at a fair comparison of value.

The property interests in Groups II and III, which are leased/licensed by the Union Bridge Group in Hong Kong and in the PRC, are considered to have no commercial value due either to the short-term nature of the leases or the prohibition against assignment or subletting or otherwise due to the lack of substantial profit rents.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the property interests are sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the values of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the property interests and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature that could affect their values.

In valuing the property interests in the properties located in Hong Kong, the Government Leases of which have expired on or before 30 June 1997, we have taken into account the provisions contained in the Basic Law of Hong Kong and the New Territories Leases (Extension) Ordinance that such leases have been extended without any payment of additional premium until 30 June 2047 and that an annual rent equivalent to three per cent. of the rateable value of the properties will be charged from the date of extension.

Other specific assumptions for each of the properties, if any, have been stated in the notes of the valuation certificate for the respective properties.

TITLE INVESTIGATION

We have conducted land searches at Tsuen Wan New Territories Land Registry for those properties located in Hong Kong. However, we have not examined the original documents to verify ownership and to ascertain the existing of any amendments that do not appear on the copies available to us.

For the property located in the PRC, due to the nature of the land registration system in the PRC, we are not able to investigate the title to or any liabilities against such property interest. However, we have been provided by the Union Bridge Group with extract copies of documents in relation to the title to the property interest such property. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuations, we have relied on the advice given by the Union Bridge Group and the legal opinion prepared by Hill & Co., the Company's legal advisor on PRC law (hereinafter referred to as the "PRC Legal Advisor"), regarding the title to the property interest and the interest of the Union Bridge Group in such property.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the properties. We are, therefore, not able to report that the properties is free from rot, infestation or any other structural defects.

We have not conducted detail on-site measurements to verify the site and floor areas of the properties but have assumed that the areas shown on the documents and official site and floor plans furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Union Bridge Group and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any redevelopment.

We have relied to a considerable extent on the information provided by the Union Bridge Group and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, tenancy information, site and floor areas and all other relevant matters in the identification of the properties in which the Union Bridge Group has valid interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Union Bridge Group. We were also advised by the Union Bridge Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation report are in Hong Kong dollars (HK$). The exchange rate adopted in our valuation of the properties is HK$1=RMB1.04 which was approximately the prevailing exchange rate as at the Date of Valuation. There has been no significant fluctuation in the exchange rate between the Date of Valuation and the date of this report.

We hereby confirm that we have neither present nor prospective interests in the Company, the Union Bridge Group, the properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 December 2005
Group I – Property interest held and occupied by the Union Bridge Group in Hong Kong	
1. Units 1805 and 1806 on 18th Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	HK$7,000,000
Group II – Property interests rented/licensed and occupied by the Union Bridge Group in Hong Kong	
2. Unit 04 on 4th Floor, Luen Fat Industrial (Third) Building, Nos. 123-129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	No commercial value
3. Car Parking Spaces No. P91 and No. P94 on Upper Ground Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	No commercial value
Group III – Property interest rented and occupied by the Union Bridge Group in the PRC	
4. A factory building and a dormitory building within an industrial complex located at No. 6 Industrial District, Wusha Village, Changan Town, Dongguan, Guangdong Province, the PRC	No commercial value
Total:	HK$7,000,000

VALUATION CERTIFICATE

Group I - Property interest held and occupied by the Union Bridge Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005
1. Units 1805 and 1806 on 18th Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong 8689/944862nd undivided parts or shares of and in Lot No. 937 in Demarcation District No. 450	Riley House is a 25-storey industrial building completed in about 1992. The property comprises two adjoining units on the 18th floor of the subject building. The total gross floor area of the property is approximately 1,142.60 sq.m. (12,299 sq.ft.). Lot No. 937 in Demarcation District No. 450 is held under New Grant No. 4185 for a term of 99 years commenced from 1 July 1898, less the last three days thereof. The said lease term has been statutorily extended until 30 June 2047.	The property is currently occupied by the Union Bridge Group for office, workshop and storage purposes.	$7,000,000

Notes:

(1) The registered owner of the property is Popbridge Industrial Limited by two assignments vide Memorial No. TW1163606 and TW1163607 both dated 1 August 1997.

(2) The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. TW1163608 dated 1 August 1997.

VALUATION CERTIFICATE

Group II – Property interests rented/licensed and occupied by the Union Bridge Group in Hong Kong

Property	Description and tenancy particulars	Market value in existing state as at 31 December 2005
2. Unit 04 on 4th Floor, Luen Fat Industrial (Third) Building, Nos. 123-129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Luen Fat Industrial (Third) Building is a 13-storey industrial building completed in about 1976. The property comprises one workshop unit on the 4th floor of the subject building. The gross floor area of the property is approximately 133.78 sq.m. (1,440 sq.ft.). The property is leased to the Union Bridge Group for storage use at a rent of $4,430 per month for a term of six months commencing from 16 December 2005.	No commercial value

Notes:

(1) The registered owner of the property is Kau Kee Sun Tai Rubber Factory Limited, which is an independent third party of the Union Bridge Group.

Property	Description and tenancy particulars	Market value in existing state as at 31 December 2005
3. Car Parking Space No. P91 and No. P94 on Upper Ground Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	Riley House is a 25-storey industrial building completed in about 1992. The property comprises two covered private car/van parking spaces on the upper ground floor of the subject building. The property is licensed to the Union Bridge Group for parking of a motor vehicle at a licence fee of $5,400 per month commencing from 1 July 2003.	No commercial value

Notes:

(1) The registered owner of the property is China Resources Enterprises, Limited, which is an independent third party of the Union Bridge Group.

(2) The licence can be terminated by either party to the said licence by giving not less than one month's notice in writing to the other party.

VALUATION CERTIFICATE

Group III – Property interest rented and occupied by the Union Bridge Group in the PRC

Property	Description and tenancy particulars	Market value in existing state as at 31 December 2005
4. A industrial building and a dormitory building within an industrial complex in No. 6 Industrial District, Wusha Village, Changan Town, Dongguan City, Guangdong Province, the PRC	The subject industrial complex is erected on a roughly trapezium shaped site within No. 6 Industrial District of Wusha Village, Changan Town, Dongguan City. The property comprises a 3-storey industrial building and a 5-storey dormitory building, both completed in about 2000. The total gross floor area of the property is approximately 9,077.30 sq.m. (97,708 sq.ft.). The property is leased to the Union Bridge Group for a term of 5 years from 13 July 2001 to 13 July 2006. The current rent is approximately RMB118,005 per month. The property is currently occupied by the Union Bridge Group for office, workshop and dormitory purposes.	No commercial value

Notes:

(1) The registered owner of the property is 東莞市長安鎮烏沙經濟聯合社 (Dongguan City Changan Town Wu Sha Economic Union, hereinafter referred to as the "Lessor"), which is an independent third party of the Union Bridge Group.

(2) Pursuant to the Undertaking Letter issued by the Lessor on 12 July 2002, the Lessor undertook that

a) The Union Bridge Group has the right to renew the existing lease upon its expiry and the Lessor will lease the property to the Union Bridge Group at terms and conditions that are within the scope of the existing lease;

b) The Lessor will not re-enter the property unilaterally upon expiry of the lease and lease the property to any third party; and

c) Upon expiry of the lease, the Lessor will renew the lease with the Union Bridge Group at terms and conditions that are within the scope of the existing lease and will act in compliance with the PRC laws and regulations in processing the Lease Registration Permit or other relevant registration and procedures.

(3) The opinion of the PRC Legal Advisor states, inter alias, that

a) The Lessor is entitled to lease the property;

b) The lease, the registration procedure of which has been completed, is legally binding and enforceable to both parties to the lease. The rights and interests of the lessee in the lease are protected under the PRC law.

c) The lessee has occupied the property for the permitted use stated in the lease and has not licensed, assigned, sublet or transferred its use right of the property to any other third party. The lease has been duly executed by both parties to the lease and there is no condition that may constitute a breach of the lease. Besides, there are no condition that may give rise to alteration or determination of the lease and no skepticism or penalty has been imposed by relevant lease registration authority.

(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 Group. 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 is 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.

(2) SHARE CAPITAL

Authorised		*HK$*
2,000,000,000	Shares	100,000,000
Issued and to be issued, fully paid or credited as fully paid		
300,000,000	Shares in issue as at the Latest Practicable Date	15,000,000
75,000,000	Consideration Shares to be allotted and issued	3,750,000
48,947,368	Shares to be issued upon exercise of the conversion rights attaching to the Convertible Notes	2,447,368
423,947,368	Shares	21,197,368

(3) DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in shares

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to 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) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Substantial Shareholders:

Name	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Starryland Profits Limited	Beneficial owner	202,500,000(L) *(Note)*	67.50%
Lau Kim Hung Jack	Interest of a controlled corporation	202,500,000 *(Note)*	67.50%
Chan Yiu Kan, Katie	Interest of spouse	202,500,000 *(Note)*	67.50%

(L) Long position

Note: Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (**"Mr. Lau"**). By virtue of the SFO, Mr. Lau is deemed to be interested in the 202,500,000 Shares held by Starryland Profits Limited. Ms. Chan Yiu Kan, Katie, the wife of Mr. Lau, is also deemed to be interested in the 202,500,000 Shares held by Starryland Profits Limited.

(ii) Other persons who were required to disclose their interests:

Name	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Castleford Assets Limited	Beneficial owner	19,000,000(L) *(Note)*	6.34%

(L) Long position

Note: Castleford Assets Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Chan Siu Wing, Raymond ("Mr. Chan"). By virtue of the SFO, Mr. Chan is deemed to be interested in the 19,000,000 Shares of the Company held by Castleford Assets Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(4) LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, 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 Group.

(5) MATERIAL CONTRACTS

Save for the Agreement, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

(6) SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(7) INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted at the date of this circular.

None of the Directors and the experts referred in the paragraph headed "Qualification and consent of experts" in this appendix has any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2005, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(8) COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, management shareholders (as defined in the GEM Listing Rules) or substantial shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

(9) MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2005, being the date to which the latest published audited consolidated financial statements of the Group was made up.

(10) QUALIFICATION AND CONSENT OF EXPERTS

Each of Baker Tilly Hong Kong Limited, Cheung and Siu and B.I. Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion, letter or advice and/or references to its name, in the form and context in which they respectively appear.

The followings are the respective qualifications of the experts who have been named in this circular or have given their opinions, letters or advice which are contained in this circular:

Name	**Qualification**
Baker Tilly Hong Kong Limited	Certified public accountants
Cheung and Siu	Certified public accountants
B.I. Appraisals Limited	Professional valuer

Each of Baker Tilly Hong Kong Limited, Cheung and Siu and B.I. Appraisals Limited is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

(11) MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

2. The head office and the principal place of business of the Company in Hong Kong is located at Unit A, 15th Floor, Long To Building, 654 & 656 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.

3. The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.

4. The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

5. The company secretary and qualified accountant of the Company is Ms. Lui Mui Ching. Ms. Lui is a Certified Public Accountant of Australia and a member of the Hong Kong Institute of Certified Public Accountant.

6. The compliance officer of the Company is Mr. Wan Kin Chung.

7. The audit committee of the Company comprises the four independent non-executive Directors, Mr. Wong Hou Yan, Norman, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. The audit committee reviews and provides supervision over the financial reporting process and internal control of the Group.

8. Details of the Directors are as follows:

Executive Directors

Mr. Wan Kin Chung, aged 54, was appointed as the chairman of the Group, an executive Director and the compliance officer of the Company on 16 August 2005. He graduated from the Hong Kong Polytechnic in Telecommunication/Computer Stream. Mr. Wan had over 25 years' experience in electronics industry and management position. Mr. Wan has been working in multinational companies for more than 20 years and was the Section Manager of Data General Hong Kong and the Manufacturing Manager of Tektronix Hong Kong. Mr. Wan had set up two factories (Advent Manufacturing and Tektronix Hong Kong) and he was responsible in site selection, equipment sourcing, establishing company policy and recruitment.

Mr. Zhang Fulin, aged 38, was appointed as the deputy chairman of the Group on 1 June 2004. He is also the Chief Executive Officer and Chief Technical Officer of the Group. He was appointed as an executive director in June 2001. Mr. Zhang is responsible for the design, research and development functions of the Group. He holds a degree in the design of telecommunication equipment from the South East University, the PRC. Prior to joining the Group in May 2000, Mr. Zhang worked as the general manager and head of system design and programming in a system design and engineering company in the PRC. Mr. Zhang has over ten years of experience in the system design, engineering and software programming.

Independent non-executive Directors

Mr. Wong Hou Yan, Norman, aged 52, has over 28 years of experience in the fields of information technology, project management, sales and support and quality assurance. Mr. Wong obtained a bachelor of arts degree in business data processing from University of Wisconsin in the United States. Mr. Wong is currently an independent non-executive director of FX Creations International Holdings Limited, a company listed on GEM. He was appointed as an independent non-executive Director on 16 August 2005.

Mr. Kwok Chi Sun, Vincent, aged 42, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is an independent non-executive director of five listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Fortuna International Holdings Limited and Kanhan Technologies Group Limited, the former four companies are listed on main board of the Stock Exchange while the last company is listed on GEM. He was appointed as an independent non-executive Director on 16 August 2005.

Mr. Yeung Kam Yan, aged 53, is a member of the Air & Waste Management Association – Hong Kong Section. Mr. Yeung has over twenty years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998. Mr. Yeung is currently the executive director of Grandy Corporation, a company listed on GEM. He was appointed as an independent non-executive Director on 16 August 2005.

Mr. Chan Wing Chiu, aged 75, holds a bachelor's degree in electrical engineering from the South China University of Guangzhou, the PRC. Mr. Chan has over 48 years of experience in the power supply industry. Mr. Chan had been a power designer for signaling and communication engineer for the Ministry of Railways, the PRC for more than 27 years. He was appointed as an independent non-executive Director on 16 August 2005.

9. Details of the senior management of the Company are as follows:

Mr. Chiu Ting San, aged 51, is an ex-director of the Company and co-founder of the Group. He resigned as an executive Director effective from 31 December 2003 so that he could allocate more time to his other private investments. He is now responsible for overseeing the production functions of the Group. Mr. Chiu holds a master of business administration degree from the University of Hull, United Kingdom. Mr. Chiu has over twenty years experience in production and management. Before founding the Group, Mr. Chiu was a director and general manager of an electronic manufacturing company in Hong Kong.

Mr. Cheng Kwong Chung, aged 40, is an ex-director of the Company and co-founder of the Group. He resigned as an executive Director effective from 1 June 2004 due to health reason. He is now responsible for the research, development and marketing of the IOD system solutions. Mr. Cheng holds a bachelor of engineering degree in electronics engineering from the Hong Kong Polytechnic University in Hong Kong. Mr. Cheng has over ten years experience in sales and marketing and over five years in software programming. Before founding the Group, Mr. Cheng worked as a general manager for an electronic trading company in Hong Kong.

Ms. Lui Mui Ching, aged 42, is the qualified accountant and company secretary of the Group. Ms. Lui is responsible for the financial management and accounting functions of the Group. She is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Ms. Lui has more than twenty years experience in accounting and secretarial fields and prior to joining the Group in January 2004, she worked as an accountant in a private trading company in Hong Kong.

10. Dealing in Shares may be settled through CCASS and investors should seek the advice of their stockbrokers, other licensed securities dealers or other professional advisers for details of those settlement arrangements as such arrangements may affect their rights and interests.

11. The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

(12) PROCEDURES FOR THE DEMAND BY POLL

The following sets out the procedures by which the Shareholders may demand a poll at the SGM.

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (i) by the chairman of the meeting; or (ii) 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 time being entitled to vote at the meeting; or (iii) 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 meeting; or (iv) 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 holding shares in the Company conferring a right to vote at the meeting 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.

(13) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit A, 15th Floor, Long To Building, 654 & 656 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including the date of the SGM and at the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual report of the Company for each of the two years ended 31 March 2005;

(c) the interim report of the Company for the six months ended 30 September 2005;

(d) the accountants' report of the Target Group, the text of which is set out in Appendix I to this circular;

(e) the letter from Baker Tilly Hong Kong Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(f) the valuation report prepared by B.I. Appraisals Limited, the text of which is set out in Appendix IV to this circular;

(g) the written consents of the experts referred to in the paragraph headed "Qualification and consent of experts" in this appendix;

(h) the Agreement; and

(i) the draft note instrument which sets out the terms and conditions of the Convertible Notes.

IA INTERNATIONAL HOLDINGS LIMITED
毅興科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 8047)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of IA International Holdings Limited (the "**Company**") will be held at 14/F., Printing House, 6 Duddell Street, Central, Hong Kong on Monday, 13 March 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Agreement**") dated 11 January 2006 and entered into among Great Plan Group Limited, a wholly owned subsidiary of the Company, as purchaser, Union Bridge Power Systems Limited (the "**Vendor**") as vendor and Ms. Cheng Pui Ping and Mr. Lo Ka Tong as guarantors in relation to the sale and purchase of 37,500 shares of US$0.10 each in the share capital of Union Bridge Group Limited (the "**Target**"), representing the entire issued share capital of the Target at a total consideration of HK$32 million (subject to adjustment) (a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary or expedient for the implementation of and giving effect to the Agreement and the transactions contemplated thereunder;

(c) the allotment and issue of an aggregate of 75,000,000 ordinary shares (the "**Consideration Shares**" and each a "**Consideration Share**") of HK$0.05 each in the share capital of the Company credited as fully paid at an issue price of HK$0.12 per Consideration Share to the Vendor pursuant to the Agreement be and is hereby approved;

(d) any one or more Directors be and is/are hereby authorised to allot and issue the Consideration Shares in accordance with the terms of the Agreement and to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the allotment and issue of the Consideration Shares;

* *For identification purpose only*

(e) the issue of the convertible notes (the "**Convertible Notes**") in the principal amount of HK$9.3 million by the Company in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and are hereby approved; and

(f) any one or more Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of Convertible Notes including but not limited to the allotment and issue of ordinary shares of HK$0.05 each in the share capital of the Company of which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Notes."

On behalf of the Board
IA International Holdings Limited
Wan Kin Chung
Director

Hong Kong, 24 February 2006

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

Head office and principal place of business in Hong Kong:
Unit A, 15th Floor
Long To Building
654 & 656 Castle Peak Road
Lai Chi Kok
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.

2. A form of proxy for use at the Meeting (or at any adjournment thereof) is enclosed. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the branch share registrar of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the above Meeting or any adjournment thereof should he so wish.

3. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.