



IA International Holdings Limited

毅興科技國際控股有限公司*

(incorporated in Bermuda with limited liability)



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ANNUAL REPORT 2002-2003

Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (The “Stock Exchange”)

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

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2 Corporate Information

Board of Directors

Executive Directors

Chiu Ting San (*Chairman*)

Cheng Kwong Chung

Zhang Fulin

Li Ting

Independent Non-executive Directors

Leung Wai Ling, Wylie

Chung Tung Sau

Company Secretary

Wang Lee Lee *FCCA, AHKSA*

Qualified Accountant

Wang Lee Lee *FCCA, AHKSA*

Compliance Officer

Cheng Kwong Chung

Authorised Representatives

Cheng Kwong Chung

Chiu Ting San

Audit Committee

Leung Wai Ling, Wylie

Chung Tung Sau

Legal Advisers to the Company

Vincent T.K. Cheung, Yap & Co.

Conyers Dill & Pearman

Auditors

Glass Radcliffe Chan

Certified Public Accountants

Principal Bankers

DBS Kwong On Bank

Standard Chartered Bank

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business in Hong Kong

Units 1001-1004

10th Floor

238 Nathan Road

Kowloon

Hong Kong

Principal Place of Business in China

中國深圳市福田區八卦一路

郵電大廈四樓

Share Registrars and Transfer Offices

Principal registrar

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

Branch registrar

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

On behalf of the Board of Directors (the "Board"), we hereby present the Annual Report of IA International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st March, 2003 to our shareholders.

Market Overview

The financial year ended 31st March, 2003 continued to be a challenging year as the global economy continued to experience decline. The problem is further aggravated by the war in the Middle East which resulted in weak consumer sentiment in the markets generally.

Financial Overview

The Group has achieved a growth of approximately 112% in its turnover for the year ended 31st 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 Internet platforms for governmental agencies in the People's Republic of China ("PRC").

Net profit from ordinary activities attributable to shareholders for the year ended 31st 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.

Prospects and Appreciation

In March 2003, the Group appointed Mr. Li Ting as an independent non-executive director of the Company. His directorate was changed from independent non-executive to executive in the beginning of June 2003. With his extensive business relationships and working experience in the PRC, he will assist the Group's expansion of its operations in the PRC. The Group also appointed new senior management who possess strong knowledge and expertise in the development of software networking systems to lead the research and development department in Hong Kong. The research and development department in Hong Kong was set up in late 2002.

Despite the challenging and intense market environment, the Group is cautiously optimistic about its future prospects. The globalization of the world economy, China's accession to the WTO and the increase in the usage of Internet will increase the demand for the Group's products generally. Nevertheless, the competition for such market will also be intense. The Group will continue to develop new products and control costs in order to remain competitive.

4 Chairman's Statement

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

Chiu Ting San

Chairman

Hong Kong, 13th June, 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 31st 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 Internet platforms for governmental agencies in the PRC.

Net profit from ordinary activities attributable to shareholders for the year ended 31st 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 31st 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 31st 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 31st March, 2003 and 2002.

6 Management Discussion and Analysis

As at 31st 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 31st March, 2003 and sale to other regions increased from approximately HK\$1 million to approximately HK\$1.3 million.

Please also refer to note 6 to the financial statements for details of segment information.

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 31st 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 24th 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 herein, in particular under sections headed "Use of Proceeds from Issuance of New Shares" and "Comparison of Business Objectives with Actual Business Progress" in this annual report, 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 31st March, 2003 (2002: HK\$5 million).

The Group had no other material contingent liabilities (2002: Nil).

Employees and remuneration policies

As at 31st 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 31st 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.

8 Management Discussion and Analysis

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.

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1st October, 2002 to 31st March, 2003 (the "Review Period"). The actual progress of the Group compared with the business objectives as set out in the Prospectus for the period from 1st April, 2002 to 30th September, 2002 has been disclosed in the interim report for the six months ended 30th September, 2002.

Business Objectives as Stated in the Prospectus

Actual Business Progress/Change in Business Objectives

1. *Research and product development*

Develop new models of Internet appliances which incorporates traditional electronic appliances with Internet related functions

- Portable iDVDs.
- Auto iDVDs.

The Group is focusing its resources on the development of a cost down version of iDVD for the rolling out of the prototype of the IOD system solution which was planned in the third quarter of this year. The Group is continuing to research and develop specifications for the portable iDVDs and the Internet functions for the auto DVDs.

Upgrade features of existing Internet appliances products

- Multiple disc functions for iDVDs.
- Wireless enhancement plug in module wireless Lan for iDVDs.

The Group is continuing on the research and development of specifications for the multiple disc functions for iDVDs. Owing to some technical issues, the development has been delayed and is expected to be completed in late 2003.

The Group postponed the development of wireless enhancement plug in module wireless Lan for iDVDs so as to better allocate its human resources and minimize the operating costs. The postponement of the development has no material impact on the Group's operations.

Develop the e-education application to be operated on the Group's e-commerce platform

- Programming to link e-commerce platform (education application) to Internet appliances.

The Group is continuing on the programming work on the interface between the e-commerce platform (education application) to Internet appliances and the work is expected to be completed by the third quarter of 2003.

10 Comparison of Business Objectives with Actual Business Progress

Business Objectives as Stated in the Prospectus

Develop the e-entertainment application to be operated on the Group's e-commerce platform

- Programming to link e-commerce platform (education application) to Internet appliances.

Upgrade several features of the Group's e-commerce platform such as payment system and security functions

- Programming to support payment using smart cards.
- Upgrading operation system to real time to enhance security functions.

Actual Business Progress/Change in Business Objectives

The Group has suspended the development of e-entertainment application as it was not commercially viable due to the high cost of royalties charged by entertainment content providers. The Directors do not expect the suspension to have material impact on the Group's operations. The Group was in the process of negotiation of the cost of royalties at the time of listing. As such, the level of the royalties costs could not be ascertained at the time of listing.

The Group is in the process of performing technical analysis for the interface between payment and security. The analysis is expected to be completed by the end of 2003.

Business Objectives as Stated in the Prospectus

Actual Business Progress/Change in Business Objectives

2. *Business development*

Negotiate and form alliances with content providers such as educational institutions and entertainment content providers in using the Group's Internet appliances products and e-commerce platform

- Japanese language institutions.
- English language institutions.
- Movie distributors.

Negotiate and form alliance with logistics service providers (e.g. transportation companies) for expanding service offering of the e-commerce platform.

Provide on-going technical support (e.g. maintenance and upgrade) for the operation of e-Tax platform.

3. *Sales and marketing*

Launch and promote the Group's Internet appliances

- Set-top box.
- New and existing models of iDVDs.
- Portable iDVDs.
- Auto DVDs.

The Group continued to negotiate with an English and a Japanese language institutions and a professional association with regards to using the Group's IOD system for the provision of contents. The Group expects to complete the negotiation by the third quarter of 2003. Negotiation with movie distributors have been suspended owing to the high cost of royalties charged by movie distributors. The Directors do not expect the suspension to have material impact on the Group's operations. The Group was in the process of negotiation of the cost of royalties at the time of listing. As such, the level of the royalties costs could not be ascertained at the time of listing.

In order to better allocate its human resources and minimize the operating costs, the Group postponed forming alliances with logistics service providers.

The Group is continuing to provide technical support for the operation of e-Tax platform.

The Group is discussing with some customers on the orders of dedicated used set-top box in LAN environment. The promotion and sales of set-top boxes, iDVDs and auto DVDs are continuing. Portable iDVDs is under development.

12 Comparison of Business Objectives with Actual Business Progress

Business Objectives as Stated in the Prospectus

Negotiate and form alliance, such as distributors with business partners for marketing and distribution of the Group's products.

Promote Internet appliance products through joint marketing and/or distribution programs with business partners.

Build and promote the "IA" brand name via advertisements and by participating in trade exhibitions and seminars.

Actual Business Progress/Change in Business Objectives

The Group has formed alliances with two customers in Hong Kong to market and distribute the Group's products to the PRC and overseas markets. The Group is continuing to negotiate and form alliances with potential business partners.

The Group continued to promote the Internet appliance products through joint marketing with two business partners in Hong Kong in the form of making presentations to and meetings with the Group's customers.

The Group continues to introduce its existing products under the "IA" brandname to its existing customers through making sales presentations and seminars. No sales under "IA" brandname were made during the year as all sales were made under customers' brand names. During the year, the Group did not hold advertisements and trade exhibitions to promote the "IA" brandname as it was not cost effective to incur such costs due to the limited response from the customers. The Group considers making presentations and conducting seminars to introduce the "IA" brandname to be sufficient to test the market.

Business Objectives as Stated in the Prospectus

Actual Business Progress/Change in Business Objectives

Launch and promote the services of the e-Tax platform.

The Group and its business partner are continuing to promote the services of the e-Tax platform. However, due to the changes in personnel of the Shenzhen Tax Bureau, the implementation of the e-Tax platform was delayed. The e-Tax platform in Shenzhen has not been launched. Discussions with the business partner and the Shenzhen Tax Bureau are on-going. It is expected that the e-Tax platform will be launched by the end of the year. The Group has also used its expertise to assist the development of e-Tax platform for other governmental agencies in other parts of the PRC during the year.

Promote application of an Internet platform to governmental agencies in the PRC.

The Group promoted the application of Internet platform to governmental agencies by holding meetings and presentations and participated in the development of e-Tax platform for other governmental agencies in other parts of the PRC during the year.

Launch and promote the e-education application of the Group's e-commerce platform to content providers such as educational institutions.

The Group is continuing to promote the e-education application to content providers by holding presentations to and meetings with content providers.

Launch and promote the e-entertainment application of the Group's e-commerce platform to content providers such as movie distributors.

The Group has suspended the promotion of e-entertainment applications as the e-entertainment application was not commercially viable due to the high cost of royalties charged by entertainment content providers. The Group was in the process of negotiation of the cost of royalties at the time of listing. As such, the level of the royalties costs could not be ascertained at the time of listing.

14 Comparison of Business Objectives with Actual Business Progress

Business Objectives as Stated in the Prospectus

4. *Geographical expansion*

Negotiate with business partners in relation to operation in the PRC and other overseas markets.

Form jointly controlled entities or joint marketing/distribution arrangements with content providers in the PRC to promote both Internet appliances and e-commerce platform in the market.

Expansion into overseas markets such as the US and the Middle East by forming jointly controlled entities or joint marketing/distribution arrangements with distributors to promote both Internet appliances and e-commerce platform in the market.

5. *Human resources deployment*

Expand the research team by recruiting additional engineers.

Expand the sales team in Hong Kong and the PRC, by recruiting additional staff members.

Set up branch offices in major cities in the PRC.

Set up sales team in main overseas markets such as the US and the Middle East.

Actual Business Progress/Change in Business Objectives

Negotiation is on-going and no plans have been agreed with any business partners in relation to the operation in the PRC and other overseas markets.

Negotiation is on-going with potential partners. No jointly controlled entities or joint marketing/distribution arrangements were formed as at 31st March, 2003 as the potential partners are in the process of conducting market feasibility studies for the PRC market.

To better allocate its resources and minimize the operating costs, the Group has suspended expansion into these markets. The Group may resume the expansion into these overseas markets when the uncertain situations in the US and the Middle East improve.

As at 31st March, 2003, the Group has 28 staff at the research and development department (2002: 25). A research and development team was set up in Hong Kong and four engineers were recruited. One engineer left the PRC office.

As at 31st March, 2003, the Group has 9 staff at the sales and marketing department (2002: 5). Two new sales staff were recruited for the Hong Kong office and the PRC office.

In order to keep costs down, the Group is considering having representative offices or distributors in the PRC instead of setting up branch offices. As at 31st March, 2003, no representative offices were set up in the PRC. The Group considers that this would not have significant impact on the business operation.

To better allocate its resources and minimize the operating costs, the Group has suspended expansion into these markets. The Group may resume the expansion into these overseas markets when the uncertain situations in the US and the Middle East improve.

Use of Proceeds from Issuance of New Shares 15

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$15 million from the placing of shares. The usage of the net proceeds for the period from 1st April, 2002 to 30th September, 2002 has been disclosed in the interim report for the six months ended 30th September, 2002.

During the period from 1st October, 2002 to 31st March, 2003, and from 18th October, 2001 (Latest Practicable Date) to 31st March, 2003, the Group has applied the net proceeds as follows:

	1st October, 2002 to 31st March, 2003		18th October, 2001 to 31st March, 2003	
	Proposed HK\$'000	Actual HK\$'000	Proposed HK\$'000	Actual HK\$'000
Expenditure in relation to developing and enhancing the infrastructure of the Group's e-commerce platform, including upgrading existing equipment and purchasing new equipment	2,500	2,500	8,800	8,800
Expenditure in relation to marketing and brand building activities, including conducting seminars, direct marketing and advertising to promote the Group's overall image, services and products	1,000	1,000	2,500	2,500
Expenditure in relation to the research and development of the technology for developing Internet appliances and other relevant products	-	-	1,000	1,000
General working capital	-	-	700	700
Total	3,500	3,500	13,000	13,000

Although some of the business objectives have been postponed, the Directors are of the view that the Group is working towards its objective to becoming an IOD system solutions provider and the proceeds from the listing have been applied in the areas as stated in the Prospectus. The Group managed to increase its sales of Internet appliances and related products and started to receive service fees from the development of e-commerce platforms during the year. As such, the Directors are of the view that the Group is fulfilling Rule 17.26 of the Listing Rules.

The remaining net proceeds as at 31st March, 2003 was approximately HK\$2 million and was placed on short-term interest bearing deposits with a bank in Hong Kong.

16 Directors and Senior Management

Executive Directors

Chiu Ting San, aged 49, is the Chairman, and Co-Founder of the Group. He was appointed as a Director in June 2001. Mr. Chiu is responsible for the overall strategic planning and management of the Group and overseeing the production functions of the Group. Mr. Chiu holds a Master of Business Administration degree from the University of Hull, United Kingdom and a Higher Certificate of Mechanical Engineering from the Hong Kong Polytechnic. Mr. Chiu has over twenty years of experience in production and management. Before founding the Group, Mr. Chiu was a director and general manager of an electronics company, which is principally engaged in the manufacturing of computer peripherals, in Hong Kong.

Cheng Kwong Chung, aged 38, is the Deputy Chairman, Chief Operation Officer and Co-Founder of the Group. He was appointed as a Director in June 2001. Mr. Cheng is responsible for marketing and management functions of the Group. Mr. Cheng holds a Bachelor of Engineering degree in Electronics Engineering from the Hong Kong Polytechnic University. Mr. Cheng has over 10 years of experience in sales and marketing and over five years experience in software programming. Before founding the Group, Mr. Cheng worked as a general manager for an electronics company, which is principally engaged in the trading of electronic components, in Hong Kong.

Zhang Fulin, aged 36, is the Chief Executive Officer and Chief Technical Officer of the Group. He was appointed as a Director in June 2001. Mr. Zhang is responsible for the design and 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 10 years of experience in the system design, engineering and software programming.

Li Ting, aged 37, is the executive Director of the Group. He was appointed an executive Director in June 2003. Mr. Li is responsible for business development in the PRC. Prior to joining the Group, Mr. Li worked for a private technology company as a general manager in the PRC. He graduated with a Bachelor Degree in Economics in 1989 from Nanjing University in the PRC. He was appointed as an independent non-executive Director on 3rd March, 2003 and was appointed as an executive Director with effect from 1st June, 2003.

Independent Non-Executive Directors

Leung Wai Ling, Wylie, aged 36, holds a bachelor degree in business administration from the City University of New York in the US. She is currently an accounting and administration manager for an international trading and manufacturing company in Hong Kong. Ms. Leung has more than ten years of experience in accounting, audit and finance. She was appointed as the Company's independent non-executive Director in June 2001.

Chung Tung Sau, aged 50, has over twenty years of experience in management role in the areas of production and sales in the manufacturing industry and was previously the executive director of a listed company. He was appointed as the Company's independent non-executive Director in July 2001.

Senior Management

Wang Lee Lee, aged 34 is the Chief Financial Officer of the Group. She is also the qualified accountant and company secretary of the Group. Ms. Wang is responsible for the financial management and accounting functions of the Group. She graduated from the University of Kent, United Kingdom with a Bachelor of Arts degree in Accounting and Computing. She is a fellow member of the Association of Chartered Certified Accountants and associate member of the Hong Kong Society of Accountants. Ms. Wang has over eight years experience working in commercial and public accountants' firms. Prior to joining the Group in May 2000, Ms. Wang worked as a manager in the accounting department of an investment and brokerage house.

Wu Ming, aged 32, is the project manager of the Group in the PRC. He is responsible for the research and development functions of the Group. He holds a Bachelor of Environmental Engineering degree from the China North West Construction University in the PRC. Prior to joining the Group in November 2000, he worked as a manager of system support and network security control for a computer company in the PRC.

Zhang Yu Hong, aged 37, is the production manager of the Group. He is responsible for the manufacturing and procurement functions of the Group. Prior to joining the Group in March 2001, he worked as a production and administration manager for an electronics company. Mr. Zhang has over ten years experience in the production of electronics products in the PRC.

Leung Kwok Shing, Norman, aged 31, is the project manager of the Group in Hong Kong. He is responsible for the research and development functions of the Group in Hong Kong. He holds a Bachelor of Computer Services degree from the Monash University in Australia and has more than 9 years experience in research and development. Prior to joining the Group in December 2002, he worked as a technical manager in a software system company responsible for product development and customisation.

18 Report of the Directors

The directors herein present their annual report and the audited financial statements of IA International Holdings Limited (the "Company") and of the Group for the year ended 31st March, 2003.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

Segment Information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st March, 2003 is set out in note 6 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31st March, 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 52.

The directors do not recommend the payment of any dividend in respect of the year.

Summary Financial Information

The following is a summary of the published results of the Group for each of the three years ended 31st March, 2003 and of the assets, liabilities and minority interests of the Group as at 31st March, 2003, 2002 and 2001 prepared on the basis set out in notes 1 and 2 below.

Results

	Year ended 31st March,		
	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000
Turnover	104,385	49,330	37,136
Profit before taxation	5,062	4,694	6,835
Taxation	(971)	(817)	(1,166)
Profit before minority interests	4,091	3,877	5,669
Minority interests	72	(198)	–
Net profit from ordinary activities attributable to shareholders	4,163	3,679	5,669

Assets, liabilities and minority interests

	As at 31st March,		
	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000
Total assets	59,293	45,666	17,743
Total liabilities	(18,697)	(9,161)	(8,167)
Minority interests	(2,126)	(2,198)	–
	38,470	34,307	9,576

Summary Financial Information (Continued)

Note:

The summary of the combined results of the Group for the year ended 31st March, 2001 was extracted from the Prospectus. Such summary was prepared as if the current Group structure had been in existence throughout the financial year. The results of the Group for the years ended 31st March, 2002 and 2003 are those set out on page 27 of the financial statements.

Fixed Assets

Details of movements in the fixed assets of the Group during the year are set out in note 16 to the financial statements.

Share Capital

Details of movements in the Company's issued share capital are set out in note 22 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity on page 30 of the financial statements.

Distributable Reserves

At 31st March, 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$12,467,000, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK\$5,902,000 as at 31st March, 2003 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for approximately 92% of the total sales for the year and sales to the largest customer included therein amounted to approximately 31%. Purchases from the Group's five largest suppliers accounted for approximately 100% of the total purchases for the year.

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

Directors

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

Executive directors:

Chiu Ting San

Cheng Kwong Chung

Zhang Fulin

Wang Lee Lee (retired on 1st August, 2002)

Li Ting (appointed on 3rd March, 2003)

Independent non-executive directors:

Chung Tung Sau

Leung Wai Ling, Wylie

In accordance with the Company's bye-laws, Zhang Fulin and Li Ting will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 17 of the Company's annual report.

Directors' Service Contracts

Each of the executive directors, except Li Ting, has entered into a service contract with Internet Appliances (Hong Kong) Limited, a subsidiary of the Company, for an initial term of two years commencing from 1st October, 2001, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

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

Directors' Interests in Shares

As at 31st March, 2003, the interests of the directors and their respective associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Company

Directors	Note	Type of interest	Number of ordinary shares held
Cheng Kwong Chung	(a)	Corporate	225,000,000

Note:

- (a) These shares represent a 75% equity interest in the Company and are owned by Internet Appliances (Holdings) Limited. The issued share capital of Internet Appliances (Holdings) Limited is beneficially owned by Global Plus Ltd. as to 35%, Team Concept Limited as to 25%, Perfect Chance Limited as to 25% and IT Motion Corp. as to 15%. The issued share capital of Global Plus Ltd. is wholly-owned by Cheng Kwong Chung.

Directors' Interests in Shares (Continued)

Save as disclosed above, as at the balance sheet date, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

Directors' Rights to Acquire Shares or Debentures

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

Share Option Scheme

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

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

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

Share Option Scheme (Continued)

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

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

At the balance sheet date, no share options had been granted under the Scheme.

Substantial Shareholders

As at 31st March, 2003, so far as the directors are aware, other than the interests of the directors as disclosed under the heading "Directors' interests in shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of more than 10% of the nominal value of the Company's issued share capital.

Save as disclosed above, the Company had not been notified of any other interest representing 10% or more in the issued share capital of the Company at the balance sheet date.

Sponsor's Interests

As at 31st March, 2003 and at the date of this report, DBS Asia Capital Limited (the "Continuing Sponsor"), its directors, employees or associates did not have any interest in the securities of the Company or of any members of the Group, or have any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the agreement dated 10th July, 2001 entered into between the Company and the Continuing Sponsor, the Continuing Sponsor received, and will receive, fees for acting as the Company's retained sponsor for the period from 1st November, 2001 to 31st March, 2004.

Compliance with Rules 5.28 to 5.39 of the Listing Rules

The Company has complied with the Board practices and procedures as set out in Rules 5.28 to 5.39 of the Listing Rules since the listing of the Company's shares on GEM on 1st November, 2001.

Audit Committee

The Company set up an audit committee (the "Committee") on 18th October, 2001, with written terms of reference in compliance with the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee currently comprises the two independent non-executive directors of the Company, namely, Mr. Chung Tung Sau and Ms. Leung Wai Ling, Wylie. During the year, the Committee held 4 meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31st March, 2003 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Auditors

Ernst & Young resigned and Glass Radcliffe Chan were appointed during the year.

Glass Radcliffe Chan will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chiu Ting San

Chairman

Hong Kong

13th June, 2003

26 Report of the Auditors

AUDITORS' REPORT TO THE MEMBERS OF IA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the affairs of the Company and of the Group as at 31st March, 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

GLASS RADCLIFFE CHAN

Certified Public Accountants

Hong Kong

13th June, 2003

Consolidated Income Statement 27

For the year ended 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
TURNOVER	7	104,385	49,330
Cost of sales		(89,962)	(37,502)
Gross profit		14,423	11,828
Other revenue	8	717	722
Distribution costs		(1,149)	(1,018)
Administrative expenses		(5,614)	(4,448)
Other operating expenses		(2,943)	(2,296)
PROFIT FROM OPERATING ACTIVITIES	9	5,434	4,788
Finance costs	10	(372)	(94)
PROFIT BEFORE TAXATION		5,062	4,694
Taxation	12	(971)	(817)
PROFIT BEFORE MINORITY INTERESTS		4,091	3,877
Minority interests		72	(198)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	13	4,163	3,679
DIVIDENDS	14	-	-
EARNINGS PER SHARE	15		
- Basic		HK1.39 cents	HK1.43 cents
- Diluted		N/A	N/A

28 Consolidated Balance Sheet

As at 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	16	1,724	2,060
CURRENT ASSETS			
Accounts receivable	18	18,230	9,345
Prepayments, deposits and other receivables		4,581	6,463
Cash and bank balances	19	34,758	27,798
		57,569	43,606
CURRENT LIABILITIES			
Accounts payable	20	12,967	1,620
Accrued expenses and other payables		1,384	1,271
Taxes payable		2,341	1,295
Bank overdrafts – secured	21	2,005	4,975
		18,697	9,161
NET CURRENT ASSETS		38,872	34,445
TOTAL ASSETS LESS CURRENT LIABILITIES		40,596	36,505
MINORITY INTERESTS		(2,126)	(2,198)
		38,470	34,307
CAPITAL AND RESERVES			
Issued capital	22	15,000	15,000
Reserves	23	23,470	19,307
		38,470	34,307

Chiu Ting San
Director

Cheng Kwong Chung
Director

Balance Sheet 29

As at 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	13,172	13,172
CURRENT ASSETS			
Amounts due from subsidiaries	17	20,461	20,202
Cash and bank balances	19	6	6
		20,467	20,208
CURRENT LIABILITIES			
Accrued expenses and other payables		270	–
NET CURRENT ASSETS			
		20,197	20,208
NET ASSETS			
		33,369	33,380
CAPITAL AND RESERVES			
Issued capital	22	15,000	15,000
Reserves	23	18,369	18,380
		33,369	33,380

Chiu Ting San
Director

Cheng Kwong Chung
Director

30 Statement of Changes in Equity of the Group and the Company

For the year ended 31st March, 2003

Group

	Notes	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st April, 2001		225	-	5,789	-	3,562	9,576
Issue of shares of a subsidiary		-	-	226	-	-	226
Issue of shares to the Pre-IPO Investors	22a(vii)	20	5,980	-	-	-	6,000
Issue of shares to the public	22a(x)	2,750	19,250	-	-	-	22,000
Capitalisation on issue of shares	22a(ix)	12,005	(12,005)	-	-	-	-
Share issue expenses		-	(7,323)	-	-	-	(7,323)
Arising on consolidation of a PRC subsidiary		-	-	-	149	-	149
Net profit for the year		-	-	-	-	3,679	3,679
Balance at 31st March, 2002		15,000	5,902	6,015	149	7,241	34,307
Net profit for the year		-	-	-	-	4,163	4,163
Balance at 31st March, 2003		15,000	5,902	6,015	149	11,404	38,470

Company

	Notes	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
Balance at 1st April, 2001		225	-	-	-	-	225
Arising on acquisition of a subsidiary		-	-	13,047	-	-	13,047
Applied in payment of 1,000,000 ordinary shares allotted nil paid on incorporation		-	-	(100)	-	-	(100)
Issue of shares to the Pre-IPO Investors	22a(vii)	20	5,980	-	-	-	6,000
Issue of shares to the public	22a(x)	2,750	19,250	-	-	-	22,000
Capitalisation on issue of shares	22a(ix)	12,005	(12,005)	-	-	-	-
Share issue expenses		-	(7,323)	-	-	-	(7,323)
Net profit for the year		-	-	-	-	(469)	(469)
Balance at 31st March, 2002		15,000	5,902	12,947	-	(469)	33,380
Net loss for the year		-	-	-	-	(11)	(11)
Balance at 31st March, 2003		15,000	5,902	12,947	-	(480)	33,369

Consolidated Cash Flow Statement 31

For the year ended 31st March, 2003

Notes	2003 HK\$'000	2002 HK\$'000
Profit before taxation	5,434	4,788
Adjustments for:		
Depreciation	605	432
Interest income	(299)	(531)
Operating cash flows before movements in working capital	5,740	4,689
Increase in accounts receivable	(8,885)	(1,428)
Decrease/(increase) in prepayments, deposits and other receivables	1,882	(35)
Decrease in an amounts due from ultimate holding company	-	2,832
Increase/(decrease) in accounts payable	11,347	(2,386)
Increase/(decrease) in accrued expenses and other payables	327	(1,163)
Exchange adjustment on translation of the financial statements of an overseas subsidiary	-	149
Cash inflow generated from operating activities	10,411	2,658
Interest paid	(372)	(94)
Hong Kong profits tax paid	(139)	(1,057)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9,900	1,507
INVESTING ACTIVITIES		
Interest received	299	88
Increase in time deposits	(7,379)	(18,330)
Purchases of fixed assets	(269)	(1,770)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(7,349)	(20,012)
FINANCING ACTIVITIES	24	
Proceeds from issue of shares before public listing	-	6,000
Proceeds from issue of shares on public listing	-	22,000
Share issue expenses	-	(7,323)
Proceeds from issue of shares of a subsidiary	-	226
Capital contribution from the minority equity holder of a subsidiary	-	2,000
NET CASH INFLOW FROM FINANCING ACTIVITIES	-	22,903
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,551	4,398
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,493	95
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,044	4,493
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	19	9,468
Bank overdrafts		(4,975)
	7,044	4,493

1. Group Reorganisation

The Company was incorporated in Bermuda on 7th June, 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Group Reorganisation") implemented on 18th October, 2001 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. This was accomplished by the Company acquiring the entire issued share capital of Smart Time Development Limited ("STDL"), the then holding company of the subsidiaries listed in note 17 to the financial statements, in consideration for the allotment and issue of 2,500,000 shares of HK\$0.05 each in the share capital of the Company, credited as fully paid, to the former shareholders of STDL. Further details of the Group Reorganisation are set out in note 22 to the financial statements and in the Company's prospectus dated 24th October, 2001.

The shares of the Company were listed on the GEM on 1st November, 2001.

2. Corporation Information

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 31st March, 2003, the ultimate holding company of the Company was Internet Appliances (Holdings) Limited ("IA Holdings") which is incorporated in the British Virgin Islands.

3. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants in advance of their effective dates. The adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement, an inclusion of a statement of changes in equity. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment has been required.

3. Adoption of Statements of Standard Accounting Practice (Continued)

The revisions to SSAP 11 (Revised) "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under these headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under separate headings, are classified as operating/investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

4. Basis of Presentation

The financial statements have been prepared under the historical convention and in accordance with accounting standards issued by Hong Kong Society of Accountants, generally accepted accounting principles in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the years ended 31st March, 2002 and 2003 include the results of the Company and its subsidiaries with effect from 1st April, 2001 or since their respective dates of incorporation, where this is a shorter period.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant inter-company transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

5. Principal Accounting Policies

(a) Subsidiary companies

A subsidiary company is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors. The Company's investments in subsidiaries are stated at cost less any impairment.

(b) Joint venture company

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contribution of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profit and loss from the joint venture company's operations and any distributions of its surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a subsidiary if the Company has unilateral control over the joint venture company.

(c) 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.

5. Principal Accounting Policies (Continued)

(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%

The gain or loss arising from the retirement or disposal 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.

5. Principal Accounting Policies (Continued)

(f) Operating leases

Leases where a significant portion of the risk and rewards of ownership are retained by the lessors are classified as operating leases. Where the 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.

(g) 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.

(h) Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(i) 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.

5. Principal Accounting Policies (Continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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 administered 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.

5. Principal Accounting Policies (Continued)

(n) 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.

6. Segment Information

SSAP 26 was adopted during the year. 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 appliances products segment provides Internet appliances and related products developed by the Group; 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.

6. Segment Information (Continued)

(a) Business segments

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

	Internet appliances and related products		E-commerce platform and related services		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	85,209	49,330	19,176	-	104,385	49,330
RESULTS						
Segment results	11,490	11,568	408	(2,296)	11,898	9,272
Other revenue					299	531
Distribution costs					(1,149)	(567)
Administrative expenses					(5,614)	(4,448)
Profit from operating activities					5,434	4,788
Finance costs					(372)	(94)
Profit before taxation					5,062	4,694
Taxation					(971)	(817)
Profit before minority interests					4,091	3,877
Minority interests					72	(198)
Net profit from ordinary activities attributable to shareholders					4,163	3,679
BALANCE SHEET						
ASSETS						
Segment assets	17,091	14,844	5,195	-	22,286	14,844
Unallocated assets	-	-	-	-	37,007	30,822
Total assets					59,293	45,666
LIABILITIES						
Segment liabilities	12,344	2,915	1,465	-	13,809	2,915
Unallocated liabilities	-	-	-	-	4,888	6,246
Total liabilities					18,697	9,161
Other segment information:						
Depreciation - unallocated	-	-	-	-	605	432
Capital expenditure - unallocated	-	-	-	-	269	1,770

40 Notes to Financial Statements

31st March, 2003

6. Segment Information (Continued)

(b) Geographical segments

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

Group

	PRC (including Hong Kong)		United States of America		Middle East		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	98,933	22,395	4,157	24,439	-	1,560	1,295	936	104,385	49,330
Other segment information:										
Segment assets	59,293	40,616	-	4,483	-	-	-	567	59,293	45,666
Capital expenditure	269	1,770	-	-	-	-	-	-	269	1,770

7. 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.

8. Other Revenue

	2003 HK\$'000	2002 HK\$'000
Interest income	299	531
Setup fee for computer networks and others	418	191
	717	722

9. Profit from Operating Activities

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

	2003	2002
	HK\$'000	HK\$'000
Crediting:		
Interest income	299	531
Charging:		
Auditors' remuneration	270	450
Cost of inventories sold	89,832	37,502
Directors' remuneration	1,417	960
Depreciation of fixed assets	605	432
Exchange losses	35	18
Operating leases in respect of land and buildings	658	832
Research and development costs	2,593	2,296
Pension scheme contributions	105	46
Staff costs (excluding directors' remuneration)	2,993	2,193

The research and development costs include HK\$1,454,000 (2002: HK\$1,471,000) 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 in "Other operating expenses" on the face of the income statement.

10. Finance Costs

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank overdrafts and bills wholly repayable within five years	372	94

11. Directors' remuneration and Senior Executives

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	240	100
	240	100
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	1,177	960
Pension scheme contributions	-	-
	1,177	960

Each of the two (2002: two) independent non-executive directors received approximately HK\$120,000 (2002: HK\$50,000) each during the year ended 31st March, 2003. The four (2002: four) executive directors received individual emoluments of approximately HK\$390,000, HK\$376,750, HK\$250,000 and HK\$160,000 (2002: HK\$300,000, HK\$240,000, HK\$180,000 and HK\$240,000) during the year ended 31st March, 2003.

During the year, one of the executive director retired. The emoluments after her retirement as an executive director were included in the staff cost accounts.

11. Directors' remuneration and Senior Executives (Continued)

(a) (Continued)

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

	Number of directors	
	2003	2002
Emolument bands		
Nil to HK\$1,000,000	6	6

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2002: one) non-director, highest paid employee are set out as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	289	126
Pension scheme contributions	13	5
	302	131

The emoluments of the five individuals of the Group fell within the following bands:

	2003	2002
Emolument bands		
Nil to HK\$1,000,000	5	5

During the year, no emoluments were paid by the Group to the directors or the highest paid, non-director employee as an inducement to join or upon joining the Group, or as compensation for loss of office (2002: Nil).

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31st March, 2003

12. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	2003 HK\$'000	2002 HK\$'000
Provision for the year:		
Hong Kong	967	411
PRC	4	412
Overprovision in the prior year	-	(6)
	971	817

Deferred tax has not been provided (2002: Nil) because the Company and the Group had no significant timing differences at the balance sheet date.

13. Net Profit from Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders for the year ended 31st March, 2003 dealt with in the financial statements of the Company was HK\$11,000 (2002: HK\$469,000).

14. Dividends

No dividends have been paid or declared by the Company since the date of incorporation.

15. Earnings Per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$4,163,000 (2002: HK\$3,679,000) and on the weighted average number of 300,000,000 (2002: 256,945,000) ordinary shares of the Company.

Diluted earnings per share is not presented as there were no diluting events during the year.

16. Fixed Assets**Group**

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1st April, 2002	674	182	1,225	526	2,607
Additions	107	–	162	–	269
At 31st March, 2003	781	182	1,387	526	2,876
Accumulated depreciation:					
At 1st April, 2002	372	33	130	12	547
Charge for the year	287	35	236	47	605
At 31st March, 2003	659	68	366	59	1,152
Net book value:					
At 31st March, 2003	122	114	1,021	467	1,724
At 31st March, 2002	302	149	1,095	514	2,060

17. Investments in Subsidiaries and Amounts Due from Subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	13,172	13,172
Amounts due from subsidiaries	20,461	20,202
	33,633	33,374

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

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31st March, 2003

17. Investments in Subsidiaries and Amounts Due from Subsidiaries (Continued)

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		Principal activities
			Direct	Indirect	
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	Dormant
Global Form Limited	British Virgin Islands	US\$50,000 Ordinary	-	100	Dormant
深圳毅興科技企業有限公司 ("IA Shenzhen") note (a)	PRC	HK\$20,000,000	-	90	Provision of IOD system solutions

Note:

- (a) IA Shenzhen was established by Internet Appliances (Hong Kong) Limited and a PRC partner as a sino-foreign equity joint venture for a period of 10 years commencing from the date of the issue of its business licence on 8th March, 2001.

18. 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	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	15,787	5,050
31 – 60 days	2,443	1,627
Over 61 days	–	2,668
	18,230	9,345

19. Cash and Bank Balances

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	9,049	9,468	6	6
Time deposits	25,709	18,330	–	–
	34,758	27,798	6	6

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31st March, 2003

20. 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	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	12,632	1,620
31 – 60 days	–	–
Over 61 days	335	–
	12,967	1,620

21. Banking Facilities

At 31st March, 2003, the Group has general banking facilities available of HK\$30,000,000 (2002: HK\$20,000,000). The facilities provided to the subsidiary of the Company were guaranteed by the Company.

22. Share Capital

(a) Shares

	2003 HK\$'000	2002 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

22. Share Capital (Continued)

(a) Shares (Continued)

There are no movements in share capital during the year. The changes in the Company's authorised and issued capital took place during the period from 7th June, 2001 (date of incorporation) to 31st March, 2002 are as follows:

- (i) On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. On 13th June, 2001, 1,000,000 shares were allotted and issued nil paid to IA Holdings.
- (ii) On 18th October, 2001, each of the shares of HK\$0.10 each of the authorised and issued share capital of the Company was subdivided into 2 shares of HK\$0.05 each. Accordingly, the Company's authorised and issued share capital were changed from 1,000,000 shares of HK\$0.10 each to 2,000,000 shares of HK\$0.05 each.
- (iii) On 18th October, 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of a further 1,998,000,000 shares of HK\$0.05 each.
- (iv) On 18th October, 2001, as part of the Group Reorganisation set out in note 1, the Company issued an aggregate of 2,500,000 shares of HK\$0.05 each, credited as fully paid to IA Holdings, in consideration for the acquisition of the entire issued share capital of STDL. The excess of the fair value of the shares of STDL, determined on the basis of the consolidated net assets at that date over that nominal value of the Company's shares issued in exchange therefor, amounting to HK\$13,047,000 was credited to the Company's contributed surplus as set out in the statement of changes in equity.
- (v) On 18th October, 2001, an amount of HK\$100,000, being a portion of the amount credited to the contributed surplus of the Company on the issue of shares in exchange for the shares of STDL as set out in (iv) above, was applied to pay up, in full at par value, the 1,000,000 shares allotted and issued nil paid on 13th June, 2001.
- (vi) On 18th October, 2001, a total of 220,500,000 shares of HK\$0.05 each were allotted as fully paid at par to IA Holdings.

22. Share Capital (Continued)

(a) Shares (Continued)

- (vii) On 18th October, 2001, the Company allotted and issued a total of 400,000 shares to the Pre-IPO Investors at a total consideration of HK\$6,000,000.
- (viii) On 18th October, 2001, a total of 19,600,000 shares of HK\$0.05 each were allotted as fully paid at par to the Pre-IPO Investors.
- (ix) The capitalisation shares, as stated in (vi) and (viii) above, were issued by way of capitalisation of the sum of a total of HK\$12,005,000 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued to the public.
- (x) On 31st October, 2001, 55,000,000 shares of HK\$0.05 each were issued to the public at HK\$0.40 each for a total cash consideration, before related issuing expenses, of HK\$22,000,000.

(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.

23. 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 as set out in note 1 to the financial statements 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 issued in exchange therefor.

23. Reserves (Continued)

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.

24. Notes to the Consolidated Cash Flow Statement

Analysis of changes in financing during the year:

	Issued capital and share premium account	Contributed surplus	Minority interests
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2001	225	5,789	–
Net cash inflow from financing	20,677	226	2,000
Share of profit for the year	–	–	198
As 31st March, 2002	20,902	6,015	2,198
Share of loss for the year	–	–	(72)
At 31st March, 2003	20,902	6,015	2,126

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31st March, 2003

25. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging 12 months to 51 months.

At 31st March, 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	230	418
In the second to fifth years, inclusive	330	551
	560	969

26. Commitments

Save for the operating lease commitments detailed in note 25 above, at the balance sheet date, neither the Group, nor the Company had significant commitments.

27. Contingent Liabilities

	Company	
	2003 HK\$'000	2002 HK\$'000
Guarantee provided to a subsidiary company for its utilised banking facilities at the balance sheet date	12,005	4,975

28. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 13th June, 2003.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of IA International Holdings Limited (the "Company") will be held at Room 1536, Pruton Prudential Hotel, 222 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 18th July, 2003, at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2003;
2. To re-elect retiring directors and authorise the board of directors to fix their remuneration;
3. To re-appoint auditors and authorise the board of directors to fix their remuneration;

and, as special business, to consider and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

4. **"THAT**

- (i) subject to paragraph (iii) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (c) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and

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- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Company Act 1981 of Bermuda (as amended) or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by the passing of an ordinary resolution by shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

5. **“THAT**

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase issued shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and/or the requirements of the GEM Listing Rules (as defined in Resolution No. 4 as set out in the notice of this meeting) or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;

- (ii) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (i) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and this approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Company Act 1981 of Bermuda (as amended) or any applicable laws to be held; and
- (c) the date on which the authority sets out for this resolution is revoked or varied by the passing of an ordinary resolution by shareholders of the Company in general meeting.”

6. “**THAT** conditional upon ordinary resolutions nos. 4 and 5 above being passed, the aggregate nominal amount of shares of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in ordinary resolution no. 5 above shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to ordinary resolution no. 4 above.”

By order of the Board

Wang Lee Lee

Company Secretary

Hong Kong, 23rd June, 2003

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Head Office and Principal

Place of Business:

Units 1001-1004
10th Floor
238 Nathan Road
Kowloon
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (ii) In order to be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the meeting or any adjourned meeting.
- (iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.