



IA International Holdings Limited

毅興科技國際控股有限公司*

(incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

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This announcement, for which the directors of IA International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to IA International Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purposes only

RESULTS

The board of directors (the “Directors”) of IA International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2002 together with the comparative figures for the corresponding period in 2001 as follows:

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	2	49,330	37,136
Cost of sales		<u>(37,502)</u>	<u>(27,705)</u>
Gross profit		11,828	9,431
Other revenue		722	12
Selling and distribution costs		(1,018)	(538)
Administrative expenses		(4,448)	(1,758)
Other operating expenses		<u>(2,296)</u>	<u>(312)</u>
PROFIT FROM OPERATING ACTIVITIES	3	4,788	6,835
Finance costs	4	<u>(94)</u>	<u>—</u>
PROFIT BEFORE TAX		4,694	6,835
Tax	5	<u>(817)</u>	<u>(1,166)</u>
PROFIT BEFORE MINORITY INTERESTS		3,877	5,669
Minority interests		<u>(198)</u>	<u>—</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>3,679</u>	<u>5,669</u>
DIVIDEND	6	<u>—</u>	<u>3,900</u>
EARNINGS PER SHARE	7		
— Basic		<u>1.43 cents</u>	<u>2.52 cents</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

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 (“STD L”), the then

holding company of the subsidiaries, 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 the Company's prospectus dated 24th October, 2001.

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

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/combined results of the Group for the years ended 31st March, 2001 and 2002 include the results of the Company and its subsidiaries with effect from 1st April, 2000 or since their respective dates of incorporation, where this is a shorter period. The comparative combined balance sheet as at 31st March, 2001 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated/combined 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 intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

2. TURNOVER

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

3. PROFIT FROM OPERATING ACTIVITIES

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

	2002	2001
	HK\$'000	HK\$'000
Cost of inventories sold	37,502	27,705
Auditors' remuneration	450	301
Research and development costs*	2,296	312
Depreciation*	432	115
Staff costs (<i>excluding directors' remuneration</i>):*		
Salaries	2,193	449
Pension scheme contributions	46	9
	<u>2,239</u>	<u>458</u>
Minimum lease payments under operating leases for land and buildings*	832	561
Exchange losses, net	18	—
Interest income	<u>(531)</u>	<u>(12)</u>

* The research and development costs include HK\$1,471,000 (2001: HK\$192,000) relating to depreciation, staff costs and minimum lease payments under operating leases, 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 profit and loss account.

4. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest expense on a bank overdraft wholly repayable within five years	<u>94</u>	<u>—</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

	Group	
	2002	2001
	HK\$'000	HK\$'000
Provision for the year:		
Hong Kong	411	680
Overseas	412	486
Overprovision in the prior year	<u>(6)</u>	<u>—</u>
	<u>817</u>	<u>1,166</u>

Deferred tax has not been provided (2001: Nil) because the Group had no significant timing differences at the balance sheet date.

6. DIVIDEND

	2002	2001
	HK\$'000	HK\$'000
Interim dividend	<u>—</u>	<u>3,900</u>

No dividend has been paid or declared by the Company since the date of its incorporation. An interim dividend of HK\$3,900,000 was paid by one of the subsidiaries of the Company during the year ended 31st March, 2001 to its then shareholders prior to the Group Reorganisation.

The dividend rate and the number of shares ranking for dividend are not presented as such information is not meaningful.

7. 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\$3,679,000 (2001: HK\$5,669,000) and the weighted average number of 256,945,000 (2001: 225,000,000) ordinary shares of the Company.

The weighted average number of shares used to calculate the earnings per share for the year ended 31st March, 2001 includes the pro forma issued share capital of the Company, comprising the 1,000,000 shares issued nil paid on incorporation of the Company, the 1,000,000 shares issued as a result of the subdivision of 1 ordinary share of HK\$0.10 each into 2 ordinary shares of HK\$0.05 each, the 2,500,000 shares issued as consideration for the acquisition of the entire issued share capital of STDL and the capitalisation issue of 220,500,000 shares. The weighted average number of shares used to calculate the earnings per share for the year ended 31st March, 2002 comprises the above shares and

also includes the weighted average of the 400,000 shares issued to Everyday Investment Limited and Million Hero Investment Limited (collectively referred to as the “Pre-IPO Investors”), the capitalisation issue of 19,600,000 shares to Pre-IPO Investors, and the 55,000,000 shares issued upon the listing of the Company’s shares on GEM on 1st November, 2001.

Diluted earnings per share amounts for the years ended 31st March, 2001 and 2002 have not been disclosed as no diluting events existed during those years.

8. SEGMENT INFORMATION

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

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

- (a) the Internet appliances products segment provides Internet appliances 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.

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.

Group

	Internet appliances products		E-commerce platform		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue	<u>49,330</u>	<u>37,136</u>	<u>—</u>	<u>—</u>	<u>49,330</u>	<u>37,136</u>
Segment results	<u>11,568</u>	<u>9,431</u>	<u>(2,296)</u>	<u>—</u>	<u>9,272</u>	<u>9,431</u>
Interest income					<u>531</u>	<u>12</u>
Net unallocated expenses					<u>(5,015)</u>	<u>(2,608)</u>
Profit from operating activities					<u>4,788</u>	<u>6,835</u>
Finance costs					<u>(94)</u>	<u>—</u>
Profit before tax					<u>4,694</u>	<u>6,835</u>
Tax					<u>(817)</u>	<u>(1,166)</u>
Profit before minority interests					<u>3,877</u>	<u>5,669</u>
Minority interests					<u>(198)</u>	<u>—</u>
Net profit from ordinary activities attributable to shareholders					<u>3,679</u>	<u>5,669</u>

	Internet appliances products		E-commerce platform		Consolidated	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	14,844	13,416	—	—	14,844	13,416
Unallocated assets	—	—	—	—	30,822	4,327
Total assets					45,666	17,743
Segment liabilities	2,915	5,541	—	—	2,915	5,541
Unallocated liabilities	—	—	—	—	6,246	2,626
Total liabilities					9,161	8,167
Other segment information:						
Depreciation — unallocated	—	—	—	—	432	115
Capital expenditure — unallocated	—	—	—	—	1,770	837

(b) Geographical segments

The following table presents revenue, certain assets and expenditure information for the Group's geographical segments.

Group	People's Republic of China (including Hong Kong, SAR)		United States of America		Middle East		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	22,395	19,851	24,439	9,953	1,560	7,332	936	—	49,330	37,136
Other segment information:										
Segment assets	40,616	17,743	4,483	—	—	—	567	—	45,666	17,743
Capital expenditure	1,770	837	—	—	—	—	—	—	1,770	837

9. RESERVES

Movements in reserves of the Group for the years ended 31st March, 2002 and 2001 are as follows:

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	—	5,789	—	1,793	7,582
Net profit for the year	—	—	—	5,669	5,669
Dividend	—	—	—	(3,900)	(3,900)
Pro forma balance at 31st March and 1st April, 2001	—	5,789	—	3,562	9,351
Issue of shares of a subsidiary	—	226	—	—	226
Issue of shares to the Pre-IPO Investors	5,980	—	—	—	5,980
Issue of shares to the public	19,250	—	—	—	19,250
Capitalisation on issue of shares	(12,005)	—	—	—	(12,005)
Share issue expenses	(7,323)	—	—	—	(7,323)
Arising on consolidation of an overseas subsidiary	—	—	149	—	149
Net profit for the year	—	—	—	3,679	3,679
At 31st March, 2002	<u>5,902</u>	<u>6,015</u>	<u>149</u>	<u>7,241</u>	<u>19,307</u>

The contributed surplus of the Group arose as a result of the Group Reorganisation 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

Despite the challenging global economic environment, the Group has achieved a growth of 32.8% in its turnover for the year ended 31st March, 2002 to HK\$49.3 million compared to the previous corresponding year. The increase was mainly attributable to an increase in the quantity sold for iDVDs and auto DVDs as compared to the previous corresponding year.

The net profit from ordinary activities attributable to shareholders for the year ended 31st March, 2002 amounted to HK\$3,679,000, representing a decrease of 35.1% compared to the corresponding year. The decrease was mainly attributable to a substantial increase in the administrative expenses and other operating expenses. The increase in administrative expenses was mainly due to an increase in rental expenses, directors' remuneration and staff costs resulting from the expansion of the Group's operations. The other operating expenses represented the research and development expenses which comprised staff costs and overheads, and are related to the research and development of the Group's e-commerce platform and Internet appliances.

Liquidity, financial resources and capital structure

As at 31st March, 2002, the Group had total assets of approximately HK\$45.7 million (2001: HK\$17.7 million), including cash and bank balances of approximately HK\$27.8 million (2001: HK\$0.3 million)

During the year ended 31st March, 2002, the Group financed its operations mainly with its own working capital and was granted overdrafts facilities of approximately HK\$5 million (2001: Nil), which was utilised at the balance sheet date. There was no charge on the Group's assets as at 31st March, 2002 and 2001.

As at 31st March, 2002, the gearing ratio, (defined as the ratio between total bank borrowings and total assets), was 0.11 (2001: Nil). The outstanding bank borrowings represents bank overdraft denominated in Hong Kong dollars of approximately HK\$5 million (2001: Nil). The Group had no borrowings stated at fixed interest rates at the balance sheet date (2001: 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 wholly the sale of Internet appliances. The development of the e-commerce platform and e-Tax platform, is still ongoing. The e-Tax platform has been undergoing trial runs since the end of 2001.

As to the geographical segments, the sale to US markets have increased substantially during the year from HK\$10 million in 2001 to HK\$24 million in 2002, representing 26.8% and 49.5% of total turnover in 2001 and 2002, respectively. In addition to the current principal markets sold by the Group, the Group is planning to sell directly in the PRC.

Please also refer to note 8 to the results of the announcement for details on business and geographical segments.

New products

To expand its product range, the Group introduced auto DVD during the financial year. The Group is developing the Internet functions for its auto DVD products.

Change of chief executive officer

To improve the operational efficiency in the management of the Group as well as the expansion of the Group's operation in the PRC, the Group has undertaken a change in the organisation structure. With effect from 1st June, 2002, Mr. Zhang Fulin, an executive Director of the Group has undertaken the responsibility of both the Chief Executive Officer and Chief Technical Officer of the Group while Mr. Chiu Ting San, an executive Director retains the role as Chairman of the Group. Mr. Zhang Fulin is responsible for the overall

management of the Group as well as the design, research and development functions of the Group. Mr. Chiu Ting San remains responsible for the overall strategic planning and oversees the production functions of the Group.

Significant investments

At 31st March, 2002, there was no significant investment held by the Group (2001: Nil).

Material acquisitions or disposal of subsidiaries and affiliated companies

Other than in connection with the group reorganisation in preparation for the listing of the Company's shares on the GEM, 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 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 announcements, 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\$5 million was utilised as at 31st March, 2002 (2001: Nil).

The Group had no other material contingent liabilities. (2001: Nil).

Employees and remuneration policies

As at 31st March, 2002, the Group had 49 (2001: 24) full time employees. Remuneration is determined by 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.

BUSINESS PROSPECTS

The Directors believes that year ending 31st March, 2003 will be a challenging year. The key factor will be the speed of recovery for the global economy in particular the key markets which the Group is exposed to, namely Hong Kong and the United States. The Group will continue to explore new markets such as the PRC, to develop new products and control the costs in order to stay competitive.

The Directors believe that with the continual growth of the PRC economy and the PRC's accession into the World Trade Organisation, the demand for the Group's products and services will be increased in the PRC. These will provide a promising prospect for the Group.

The Group will also make effort to explore investment opportunities in the areas relating to the Group's existing operations so as to achieve the aim of optimising the shareholders' interests.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the prospectus of the Company dated 24th October, 2001 (the "Prospectus") for the period from 18th October, 2001 (Latest Practicable Date) to 31st March, 2002 (the "Review Period").

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 incorporate traditional electronic appliances with Internet related functions — Auto iDVDs.

The auto DVD was developed and sold as planned. The Group is continuing developing the Internet functions for the auto DVD.

Develop application for the e-Tax platform.

The e-Tax platform has been substantially developed and is undergoing tests and trial runs as at 31st March, 2002.

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 has commenced the development of common interface program to link the education application to Internet appliances.

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 institution;
— Movie distributors

The Group has commenced negotiation with a Japanese language institute and a movie distributor on forming alliances.

BUSINESS OBJECTIVES AS STATED IN THE PROSPECTUS

ACTUAL BUSINESS PROGRESS/ CHANGE IN BUSINESS OBJECTIVES

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

The e-Tax platform has been substantially developed and is undergoing tests and trial runs as at 31st March, 2002.

3. Sales and marketing

Launch and promote the Group's Internet appliances

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

The Group continues to promote both existing and new models of its Internet appliances to new and existing customers. During the period under review, the Group obtained new customers for its auto DVD products.

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

The Group commenced negotiation relating to the formation of alliances for marketing and distribution of the Group's products.

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

The Group commenced negotiation to promote Internet appliances through joint marketing and/or distribution programs.

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

Together with Shenzhen E-commerce Centre, the Group has commenced promotion of the e-Tax platform via meetings with business enterprises based in Shenzhen.

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

The Group has commenced discussion with various governmental agencies in the PRC to promote the application of the Group's e-commerce platform.

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

The Group has commenced discussion to launch and promote the e-education application with various content providers which include various educational institutions.

**BUSINESS OBJECTIVES AS STATED
IN THE PROSPECTUS****ACTUAL BUSINESS PROGRESS/
CHANGE IN BUSINESS OBJECTIVES****4. *Geographical expansion***

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

As planned, the Group has commenced negotiation with educational institutions and movie distributor to operate in the PRC. In view of the uncertainty in the overseas market resulted from the 911 event, the Group will delay such plan until such time as it seems appropriate.

5. *Human resources deployment*

Expand the research team by recruiting additional engineers.

As at 31st March, 2002, the Group has 25 staff members in the research and development department.

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

As at 31st March, 2002, the Group has 5 staff members in the sales and marketing department.

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$15 million from the placing of shares. During the period from 1st November, 2001 (the date of listing of the Company's shares on GEM) to 31st March, 2002, the Group has applied the net proceeds as follows:

	Proposed <i>HK\$'000</i>	Actual <i>HK\$'000</i>
Expenditure in relation to developing and enhancing the infrastructure of the Group's e-commerce platform, including upgrading existing equipment and purchasing new equipment	4,300	4,300
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	500	488
Expenditure in relation to the research and development of the technology for developing internet appliances and other relevant products	500	500
General working capital	<u>700</u>	<u>700</u>
Total	<u><u>6,000</u></u>	<u><u>5,988</u></u>

The remaining net proceeds as at 31st March, 2002 was approximately HK\$9 million of which HK\$8 million was placed on short-term interest bearing deposits with bank in Hong Kong and HK\$1 million was placed with bank in PRC.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 18th October, 2001 with written terms of reference in compliance with the Rules Governing the Listing of Securities on GEM (“Listing Rules”). The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises an executive Director, Ms. Wang Lee Lee and two independent non-executive Directors, namely, Ms. Leung Wai Ling, Wylie and Mr. Chung Tung Sau. The Group’s audited financial statements for the year ended 31st March, 2002 have been reviewed by the Committee, who are 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.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM 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.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company’s placing of shares, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

By order of the Board
Chin Ting San
Chairman

Hong Kong, 17th June, 2002

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