
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this composite offer and response document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this composite offer and response document.

If you are in any doubt as to any aspect of the Offer under this composite offer and response document or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in IA International Holdings Limited, you should at once hand this composite offer and response document and the accompanying form of acceptance and transfer to the purchaser or the transferee, or to the bank or a licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee. This composite offer and response document should be read in conjunction with the accompanying form of acceptance and transfer, the provisions of which form part of the terms of the Offer contained herein.

**STARRYLAND PROFITS LIMITED***(Incorporated in the British Virgin Islands with limited liability)***IA INTERNATIONAL HOLDINGS LIMITED****毅興科技國際控股有限公司***
(Incorporated in Bermuda with limited liability)
(Stock Code: 8047)**Acquisition of Shares in IA International Holdings Limited
by Starryland Profits Limited****Mandatory unconditional cash offer by****Hantec Capital Limited
on behalf of Starryland Profits Limited
for all the issued Shares in IA International Holdings Limited
(other than those Shares already owned by
Starryland Profits Limited and Parties acting in concert with it)****Joint financial advisers to Starryland Profits Limited****INCU Corporate Finance Limited****Hantec Capital Limited****Joint independent financial advisers to the Independent Board Committee of
IA International Holdings Limited****KINGSTON CORPORATE FINANCE LIMITED****TIS Securities (HK) Limited**

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 22 of this composite offer and response document.

A letter from Kingston Corporate Finance Limited and TIS Securities (HK) Limited containing their advices to the Independent Board Committee is set out on pages 23 to 38 of this composite offer and response document.

The procedures for acceptance and settlement of the Offer are set out on pages 39 to 43 in Appendix I to this composite offer and response document and in the accompanying form of acceptance and transfer. Acceptance of the Offer should be received by Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 24 August 2005, or such later time and/or date as the Offeror may announce in accordance with the Takeovers Code.

This composite offer and response document will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purpose only

3 August 2005

CHARACTERISTICS OF GEM

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

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

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

CONTENTS

	<i>Page</i>
Expected timetable	iii
Definitions	1
Letter from the Board	5
Letter from Hantec	14
Letter from the Independent Board Committee	22
Letter from Kingston and TIS	23
Appendix I – Further terms of the Offer	39
Appendix II – Financial information on the Group	44
Appendix III – General information	68
 Accompanying document:	
Form of acceptance and transfer	

EXPECTED TIMETABLE

2005

Commencement of the Offer	Wednesday, 3 August
Latest time and date for acceptance of the Offer, if not revised (<i>Notes 1 & 2</i>)	4:00 p.m. on Wednesday, 24 August
Closing date of the Offer, if not revised (<i>Note 1</i>)	Wednesday, 24 August
Announcement of results of the Offer to be posted on the GEM website (<i>Note 1</i>)	By 7:00 p.m. on Wednesday, 24 August
Latest date for posting of remittance for the amounts due under the Offer in respect of valid acceptances received on or before the closing date of the Offer (<i>Note 3</i>)	Friday, 2 September

Notes:

1. The Offer, which is unconditional, will be closed on Wednesday, 24 August 2005 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. Latest time for acceptance of the Offer will be 4:00 p.m. on Wednesday, 24 August 2005 unless the Offer is revised or extended. The Offeror will issue an announcement through the Stock Exchange at www.hkgem.com by 7:00 p.m. on Wednesday, 24 August 2005 stating whether the Offer has been revised or extended or has expired. For further details, please refer to the paragraph headed "Acceptance period" in Appendix I to this composite offer and response document.
2. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code.
3. Remittances in respect of Shares tendered under the Offer will be posted as soon as practicable, but in any event within 10 days after the receipt by the Registrar of all relevant documents from the Accepting Shareholders to render the acceptance under the Offer complete and valid.

All time references contained in this composite offer and response document refer to Hong Kong time.

DEFINITIONS

In this composite offer and response document, the following expressions have the following meanings unless the context indicates otherwise:

“Accepting Shareholders”	Independent Shareholders who validly accept the Offer in accordance with its terms, the particulars of which are set out in this composite offer and response document and the accompanying form of acceptance and transfer
“Annual Report 2005”	the annual report of the Company for the year ended 31 March 2005 dated 10 June 2005
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and days on which a tropical cyclone signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	IA International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the aggregate of HK\$4,320,000 for the Offeror’s Sale Shares under the Offeror’s Agreement
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules governing the listing of securities on GEM
“Group”	the Company and its subsidiaries
“Hantec”	Hantec Capital Limited, a licensed corporation permitted to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under SFO
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“INCU”	INCU Corporate Finance Limited, a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under SFO
“Independent Board Committee”	a committee of the Board comprising the three independent non-executive Directors constituted to advise the Independent Shareholders in connection with the Offer
“Independent Shareholders”	Shareholders other than the Offeror and Parties acting in concert with it
“Investors”	Wise Orient Limited, Treasure Winner Enterprises Limited and Castleford Assets Limited together
“Investors’ Consideration”	the total consideration payable for the sale and purchase of the Investors’ Sale Shares
“Investors’ Agreements”	three separate agreements all dated 12 July 2005 and entered into between the Vendor, Investors and the Warrantors in relation to the sale by the Vendor and the purchase by the Investors of the Investors’ Sale Shares
“Investors’ Sale Shares”	45,000,000 Shares owned by the Vendor, which form the subject matter of the Investors’ Agreements
“Joint Announcement”	the joint announcement dated 13 July 2005 made by the Company and the Offeror jointly in relation to the Offer
“Kingston”	Kingston Corporate Finance Limited, a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under SFO, which has been appointed by the Company as one of the joint independent financial advisers to the Independent Board Committee in respect of the Offer
“Last Trading Day”	the last day on which Shares were traded on the Stock Exchange immediately prior to the suspension of trading in the Shares at the request of the Company pending the release of the Joint Announcement, being 12 July 2005
“Latest Practicable Date”	2 August 2005, being the latest practicable date prior to the printing of this composite offer and response document for ascertaining certain information contained herein
“Mr. Lau”	Mr. Lau Kim Hung, Jack, 100% beneficial owner and the sole director of the Offeror
“Offer”	the mandatory unconditional cash offer for all the issued Shares not already owned by the Offeror or Parties acting in concert with it at HK\$0.024 per Share by Hantec on behalf of the Offeror in accordance with the Takeovers Code

DEFINITIONS

“Offeror”	Starryland Profits Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Lau
“Offeror’s Agreement”	the agreement dated 12 July 2005 and entered into between, the Vendor, the Offeror and the Warrantors in relation to the sale by the Vendor and the purchase by the Offeror of the Offeror’s Sale Shares
“Offeror’s Sale Shares”	180,000,000 Shares owned by the Vendor, which form the subject matter of the Offeror’s Agreement
“Parties acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Registrar”	the Company’s Hong Kong branch share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TIS”	TIS Securities (HK) Limited, a licensed corporation permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under SFO, which has been appointed by the Company as one of the joint independent financial advisers to the Independent Board Committee in respect of the Offer
“Vendor”	Internet Appliances (Holdings) Limited, a company incorporated in the British Virgin Islands and is owned by Global Plus Ltd., which is wholly owned by Mr. Cheng Kwong Chung, Team Concept Limited, which is wholly owned by Mr. Chiu Ting San, Perfect Chance Limited, which is wholly owned by Mr. Wong Ping Wing and IT Motion Corp., which is wholly owned by Ms. Wang Lee Lee, in the proportion of 35%, 25%, 25% and 15% respectively

DEFINITIONS

“Warrantors”	Mr. Cheng Kwong Chung and Mr. Chiu Ting San
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



IA International Holdings Limited

毅興科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

Executive Directors:

Mr. Li Ting (*Chairman*)

Mr. Zhang Fulin (*Deputy Chairman*)

Independent Non-executive Directors:

Ms. Leung Wai Ling, Wylie

Mr. Gui Gan

Ms. Guo Wen Hong

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal place of business
in Hong Kong:*

Unit A, 15/F., Long To Building,

654 & 656 Castle Peak Road,

Lai Chi Kok,

Kowloon, Hong Kong

3 August 2005

To the Independent Shareholders

Dear Sir or Madam,

**Acquisition of Shares in IA International Holdings Limited
by Starryland Profits Limited**

Mandatory unconditional cash offer by



Hantec Capital Limited

on behalf of Starryland Profits Limited

for all the issued Shares in IA International Holdings Limited

(other than those Shares already owned by

Starryland Profits Limited and Parties acting in concert with it)

INTRODUCTION

On 12 July 2005, the Offeror entered into the Offeror's Agreement with, among others, the Vendor, pursuant to which the Offeror agreed to purchase and the Vendor agreed to sell 180,000,000 Shares for an aggregate consideration of HK\$4,320,000 (equivalent to approximately HK\$0.024 per Share). The Offeror's Sale Shares represent 60% of the entire issued share capital of the Company as at the Latest Practicable Date.

* For identification purpose only

LETTER FROM THE BOARD

The Offeror's Agreement was duly completed on 2 August 2005 after the fulfilment of all of the conditions thereunder. Immediately following completion of the Offeror's Agreement, the Offeror and Parties acting in concert with it owned 180,000,000 Shares, representing 60% of the entire issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer for all the issued Shares not already owned by it and Parties acting in concert with it.

Hantec, on behalf of the Offeror, makes an unconditional mandatory cash offer at the offer price of HK\$0.024 per Share for all the issued Shares other than those already owned by the Offeror and Parties acting in concert with it. The principal terms of the Offer are set out in the "Letter from Hantec" and further terms of the Offer are set out in the Appendix I to this composite offer and response document and the accompanying form of acceptance and transfer.

Mr. Li Ting and Mr. Zhang Fulin are executive Directors and salaried employees of the Group. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Offer. Kingston and TIS have been appointed as the joint independent financial advisers to advise the Independent Board Committee in respect of the Offer.

In addition to setting out the letter from Hantec contained herein, the purpose of this composite offer and response document is also to provide, among other things, details of the Offer and attaching hereto the form of acceptance and transfer, the recommendation of the Independent Board Committee and a letter of advice from the joint independent financial advisers of the Company containing their advices to the Independent Board Committee in respect of the Offer.

THE OFFEROR'S AGREEMENT

Date:	12 July 2005
Vendor:	The Vendor
Purchaser:	The Offeror
Warrantors:	The Warrantors

Sale Shares

The Offeror's Sale Shares comprise 180,000,000 Shares, representing 60% of the entire issued share capital of the Company as at the Latest Practicable Date. The Offeror's Sale Shares were acquired by the Offeror which were free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances or third party rights.

Consideration

The Consideration is HK\$4,320,000 (equivalent to approximately HK\$0.024 per Offeror's Sale Share), and was negotiated and determined between the Offeror and the Vendor on a commercial arm's length basis with reference to (i) the latest financial performance of the Company and (ii) the liquidity of the Shares. The purchase price of HK\$0.024 per Offeror's Sale Share represents: (i) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share quoted on GEM on Last Trading Day;

LETTER FROM THE BOARD

(ii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share for the last 5 consecutive days of trading in the Shares up to and including Last Trading Day; (iii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share for the last 10 consecutive days of trading in the Shares up to and including Last Trading Day; (iv) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share quoted on GEM on the Latest Practicable Date; and (v) a discount of approximately 57.1% to the consolidated audited net asset value of the Company of approximately HK\$0.056 as at 31 March 2005 based on the audited consolidated financial statements of the Group made up to 31 March 2005.

Completion of the Offeror's Agreement

As all the conditions had been fulfilled, completion of the Offeror's Agreement took place on 2 August 2005. None of the conditions had been waived by the Offeror or the Vendor.

THE INVESTORS' AGREEMENTS

Date: 12 July 2005

Vendor: The Vendor

Purchasers: The Investors, together with their ultimate beneficial owners, who to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, are third parties independent of the Company and connected persons of the Company, the Offeror, Parties acting in concert with the Offeror, and their respective connected persons. The ultimate beneficial owners of the Investors are private investors in Hong Kong. Each of the ultimate beneficial owners of the Investors are third parties independent of and not connected with each others. The name of the Investors and their respective ultimate beneficial owners, number of Investors' Sale Shares to be acquired, shareholding percentage and the respective Investors' Consideration are listed out below:

Name of the Investors	Ultimate beneficial owners	Number of Investors' Sale Shares	% of shareholding	Investors' Consideration (HK\$)
Wise Orient Limited*	Hung Yuk Yin	13,000,000	4.33%	312,000
Treasure Winner Enterprises Limited*	Yeung Man Wai	13,000,000	4.33%	312,000
Castleford Assets Limited*	Chan Siu Wing, Raymond	19,000,000	6.34%	456,000
Total		<u>45,000,000</u>	<u>15.00%</u>	<u>1,080,000</u>

* Each of the Investors is a company incorporated in the British Virgin Islands with limited liability, the principal activities of which is investment holding.

Warrantors: The Warrantors

LETTER FROM THE BOARD

Sale Shares

The Investors' Sale Shares comprise an aggregate of 45,000,000 Shares, representing 15% of the entire issued share capital of the Company as at the Latest Practicable Date and the remaining shareholding interests of the Vendor after the completion of the Offeror's Agreement. The Investors' Sale Shares were acquired by the Investors which were free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances or third party rights.

None of the Investors became a substantial shareholder of the Company according to the GEM Listing Rules upon completion of the Investors' Agreements.

Consideration

The Investors' Consideration is HK\$1,080,000 (equivalent to approximately HK\$0.024 per Investors' Sale Share), and was negotiated and determined on a commercial arm's length basis with reference to (i) the latest financial performance of the Company and (ii) the liquidity of the Shares. The purchase price of HK\$0.024 per Sale Share represents: (i) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share quoted on GEM on Last Trading Day; (ii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share for the last 5 consecutive days of trading in the Shares up to and including Last Trading Day; (iii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share for the last 10 consecutive days of trading in the Shares up to and including Last Trading Day; (iv) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share quoted on GEM on the Latest Practicable Date; and (v) a discount of approximately 57.1% to the consolidated audited net asset value of the Company of approximately HK\$0.056 as at 31 March 2005 based on the audited consolidated financial statements of the Group made up to 31 March 2005.

Completion of the Investors' Agreements

As all the conditions of the Investors' Agreements had been fulfilled, completion of the Investors' Agreements took place on 2 August 2005. None of the conditions of the Investors' Agreements had been waived by the Investors or the Vendor.

Each of the Investors has irrevocably undertaken to the Offeror, INCU and Hantec not to accept the Offer and not to dispose of the Shares they respectively held during the offer period.

MANDATORY UNCONDITIONAL CASH OFFER

Principal terms of the Offer

As set out in the letter from Hantec, Appendix I to this composite offer and response document and the accompanying form of acceptance and transfer, Hantec, on behalf of the Offeror, is making the Offer on the following basis:

for each ShareHK\$0.024 in cash

LETTER FROM THE BOARD

There were no outstanding warrants, share options or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

The offer price of HK\$0.024 per Share is the same as the price paid by the Offeror to the Vendor for each Offeror's Sale Share under the Offeror's Agreement.

INFORMATION ON THE COMPANY

The Company was listed on GEM on 1 November 2001. The Group is principally engaged in the research, development and provision of information-on-demand system solutions and the provision of related products and services. Based on the Company's audited consolidated income statement for the year ended 31 March 2004, the Group recorded a net profit of approximately HK\$1,532,000 (approximately 0.51 cents per Share) and for the year ended 31 March 2005, the Group recorded a net loss of approximately HK\$23,143,000 (approximately 7.71 cents per Share). Based on the Company's audited consolidated balance sheet as at 31 March 2004 and 31 March 2005, the Group's audited net assets were approximately HK\$41,242,000 and HK\$16,818,000 respectively.

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

	As at the Latest Practicable Date	
	<i>No. of shares</i>	<i>%</i>
The Offeror and Parties acting in concert with it	180,000,000	60.00%
The Investors:–		
Wise Orient Limited*	13,000,000	4.33%
Treasure Winner Enterprises Limited*	13,000,000	4.33%
Castleford Assets Limited*	19,000,000	6.34%
Public	<u>75,000,000</u>	<u>25.00%</u>
Total	<u><u>300,000,000</u></u>	<u><u>100.00%</u></u>

* Each of the Investors is a company incorporated in the British Virgin Islands with limited liability.

LETTER FROM THE BOARD

PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD

Currently, the Board comprises two executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Company's executive Directors are Mr. Li Ting and Mr. Zhang Fulin, and the Company's independent non-executive Directors are Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong. It is expected that all of the existing Directors except Mr. Zhang Fulin will resign and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code. Due to personal reasons, Mr. Wong Hou Yan, Norman has decided to accept the proposed appointment to act as an independent non-executive Director instead of an executive Director as announced in the Joint Announcement. As such, the Offeror intends to nominate Mr. Wan Kin Chung as the executive Director, to replace Mr. Wong Hou Yan, Norman. Moreover, the Offeror proposes to invite the following persons to act as independent non-executive Directors. The appointment of the aforesaid Directors will not take effect earlier than the date of posting of this composite offer and response document in compliance with Rule 26.4 of the Takeovers Code. Further announcement will be made upon the appointment and resignation of the Directors in compliance with the GEM Listing Rules and the Takeovers Code.

Set out below are the biographical details of the proposed executive Director and independent non-executive Directors to be nominated by the Offeror:

Executive Director

Mr. Wan Kin Chung ("Mr. Wan"), aged 54, graduated from the Hong Kong Polytechnic in Telecommunication/Computer Stream. Mr. Wan had over 25 years' experience in electronics industry and management position. Mr. Wan has been working in multinational companies for more than 20 years and was the Section Manager of Data General Hong Kong and the Manufacturing Manager of Tektronix Hong Kong. Mr. Wan had set up two factories (Advent Manufacturing and Tektronix Hong Kong) and he was responsible in site selection, equipment sourcing, establishing company policy and recruitment. Upon his appointment, Mr. Wan will be appointed as the chairman and compliance officer of the Company to replace Mr. Li Ting.

Mr. Wan does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Wan does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Mr. Wan did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

At present, the director's emoluments for Mr. Wan has not yet been determined. No service contract has been entered into between the Company and Mr. Wan. Mr. Wan has no fixed term of service with the Company but will be subject to retirement and re-election at the next annual general meeting of the Company (thereafter retirement by rotation) pursuant to the memorandum of association and by-laws of the Company. Should director's emoluments be considered appropriate for Mr. Wan in the future, Mr. Wan's emoluments shall be determined and reviewed by the Board from time to time with reference to the prevailing market conditions.

LETTER FROM THE BOARD

Independent non-executive Directors

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

Mr. Wong does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Wong does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Wong did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

Mr. Kwok Chi Sun, Vincent (“Mr. Kwok”), aged 41, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is an independent non-executive director of six listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Oriental Investment Corporation Limited, Fortuna International Holdings Limited and Kanhan Technologies Group Limited, the former five companies are listed on main board of the Stock Exchange while the last company is listed on GEM.

Mr. Kwok does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Kwok does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Kwok did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

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

Mr. Yeung does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Yeung does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Yeung did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

Mr. Chan Wing Chiu (“Mr. Chan”), aged 75, holds a bachelor’s degree in electrical engineering from the South China University of Guangzhou, the PRC. Mr. Chan has over 48 years of experience in the power supply industry. Mr. Chan had been a power designer for signaling and communication engineer for the Ministry of Railways, the PRC for more than 27 years.

LETTER FROM THE BOARD

Mr. Chan does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Chan does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Mr. Chan did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

The proposed length of service of all of the above proposed independent non-executive Directors with the Company is one year, subject to renewal. The proposed directors' fees and emoluments of all of the above proposed independent non-executive directors with the Company is HK\$5,000 each month.

Apart from the above, the Offeror may, at an appropriate time, which is on or before the resignation of the existing Directors, nominate new Directors to the Board. Further announcements relating to the appointments of new Directors will be made by the Company if and when appropriate.

Save as disclosed above, it is the intention of the Offeror that there will be no material change in the existing management and the continued employment of the employees of the Group following the close of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands on 28 April 2005 and is wholly owned by Mr. Lau being the sole director of the Offeror. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Offeror and its ultimate beneficial owner, Mr. Lau, are third parties independent of the Company and connected persons of the Company and not Parties acting in concert with each of the Investors. Other than the entering into of the Offeror's Agreement, the Offeror has not conducted any business since its incorporation.

Mr. Lau was a former banker with several major international financial institutions. He has over 20 years' experience in banking, trading and manufacturing industries and has a variety of business interests in both Hong Kong and the PRC. Mr. Lau holds a Bachelor of Science Degree in Accounting/Business Management and a Master of Business Administration Degree from a university in the United States. Prior to being a private investor managing his own diversified investments in 1993, Mr. Lau was the group managing director of Tomei International (Holdings) Limited (currently known as Omnicorp Limited (Stock Code: 94)), a major manufacturer in consumer electronics, for 7 years. Mr. Lau had been a council member of the City University of Hong Kong from 1992 to 1998.

INTENTION OF THE OFFEROR REGARDING THE GROUP

It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged immediately after the close of the Offer. The Offeror has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following the close of Offer, the Offeror intends to conduct a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long-term strategy and plans for the Group. Although the Offeror does not have any concrete plan on the future development of the business of the Group at present, the Offeror believes that by leveraging on the business network of the Offeror and the technical and management expertise of its proposed executive Director, Mr. Wan, together with the knowledge and experience of the existing management of the Group in the industry of information-on-demand system solutions, there will be promising potential for such products and services and the Group could explore more business opportunities in the long run.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading in the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

The Offeror intends that the Company will remain listed on GEM after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

If the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. Under the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the GEM Listing Rules to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the GEM Listing Rules.

The Offeror intends that the Company will remain listed on GEM after the close of the Offer.

RECOMMENDATIONS

Your attention is drawn to the respective letters from the Independent Board Committee and Kingston and TIS set out on page 22 and pages 23 to 38 of this composite offer and response document containing their respective recommendations and advices in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the letters from Hantec, the Independent Board Committee and Kingston and TIS as well as the additional information contained in Appendices I to III to this composite offer and response document and the accompanying form of acceptance and transfer.

Yours faithfully,
For and on behalf of the Board
IA International Holdings Limited
Li Ting
Chairman

LETTER FROM HANTEC



Hantec Capital Limited
45th Floor, COSCO Tower,
183 Queen's Road Central,
Hong Kong

3 August 2005

To the Independent Shareholders

Dear Sir or Madam,

**Acquisition of Shares in IA International Holdings Limited
by Starryland Profits Limited**

Mandatory unconditional cash offer by



Hantec Capital Limited
on behalf of Starryland Profits Limited
for all the issued Shares in IA International Holdings Limited
(other than those Shares already owned by
Starryland Profits Limited and Parties acting in concert with it)

INTRODUCTION

On 12 July 2005, the Offeror entered into the Offeror's Agreement with, among others, the Vendor, pursuant to which the Offeror agreed to purchase and the Vendor agreed to sell 180,000,000 Shares for an aggregate consideration of HK\$4,320,000 (equivalent to approximately HK\$0.024 per Share). The Offeror's Sale Shares represent 60% of the entire issued share capital of the Company as at the Latest Practicable Date.

The Offeror's Agreement was duly completed on 2 August 2005.

Immediately prior to completion of the Offeror's Agreement, the Offeror and Parties acting in concert with it did not own any Shares. Immediately following completion of the Offeror's Agreement, the Offeror and Parties acting in concert with it, owned 180,000,000 Shares, representing 60% of the entire issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer for all the issued Shares not already owned by it or Parties acting in concert with it.

This letter, together with Appendix I to this composite offer and response document and the accompanying form of acceptance and transfer, set out, amongst other things, the terms of the Offer, procedures for acceptance and settlement of the Offer, information on the Offeror and the intention of the Offeror regarding the future of the Group.

* For identification purpose only

LETTER FROM HANTEC

THE OFFER

Principal terms of the Offer

Hantec, on behalf of the Offeror, hereby makes a mandatory unconditional cash offer to acquire all the issued Shares not already owned by the Offeror and Parties acting in concert with it on the following basis:

For each Share HK\$0.024 in cash

There were no outstanding warrants, share options or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

The offer price of HK\$0.024 per Share under the Offer is the same as the price paid by the Offeror to the Vendor for each Offeror's Sale Share under the Offeror's Agreement.

The Offeror confirms that there have been no dealings in the Shares by the Offeror, its sole director and Parties acting in concert with it during the period beginning six months prior to the offer period other than the acquisition of the Offeror's Sale Shares by the Offeror from the Vendor pursuant to the Offeror's Agreement.

Comparison of value

The offer price of HK\$0.024 per Share represents:

- (i) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share quoted on GEM on Last Trading Day;
- (ii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share for the last 5 consecutive days of trading in the Shares up to and including Last Trading Day;
- (iii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share for the last 10 consecutive days of trading in the Shares up to and including Last Trading Day;
- (iv) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share quoted on GEM on the Latest Practicable Date; and
- (v) a discount of approximately 57.1% to the audited net asset value of the Company of approximately HK\$0.056 as at 31 March 2005 based on the audited consolidated financial statements of the Group made up to 31 March 2005.

LETTER FROM HANTEC

Highest and lowest prices

The highest and lowest closing prices of the Shares as quoted on GEM during the period between 13 January 2005, being the date six months preceding the date of the Joint Announcement, and the Latest Practicable Date are listed as below:

Periods with trading of Shares as quoted on GEM

Highest closing price (HK\$)	HK\$0.3	from 13 January 2005 to 24 February 2005 and from 15 March 2005 to 23 May 2005
Lowest closing price (HK\$)	HK\$0.195	from 28 June 2005 to 2 August 2005

The Offer is unconditional and is not subject to the numbers of acceptances being received from the Independent Shareholders. In addition, as the Offer is unconditional, acceptances by the Independent Shareholders under the Offer shall be irrevocable and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Financial resources

As at the Latest Practicable Date, there were 300,000,000 Shares in issue. There were no options, warrants or other securities convertible into Shares as at the Latest Practicable Date.

Based on the offer price set out above, the entire issued share capital of the Company is valued at approximately HK\$7,200,000 and all the Shares subject to the Offer (excluding the Investors' Sale Shares) are valued at approximately HK\$1,800,000.

INCU and Hantec are satisfied that there are sufficient financial resources available to the Offeror to satisfy full acceptance of the Offer as at the Latest Practicable Date.

Effect of accepting the Offer

By accepting the Offer, Accepting Shareholders will sell their Shares to the Offeror free from all rights of pre-emption, options, claims, equities, third party rights, liens, charges or encumbrances and together with all rights attaching thereto including the right to receive all dividends and distributions declared, paid or made after the date of the Offeror's Agreement.

Settlement of the consideration to which any Accepting Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, rights of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

LETTER FROM HANTEC

Stamp duty

Sellers' ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration arising on acceptance of the Offer or, if higher, the market value of the Shares and the transfer of the Shares will be payable by the relevant Accepting Shareholders and such amounts will be deducted from the consideration paid to the relevant Accepting Shareholders. The Offeror will pay the stamp duty on behalf of the Accepting Shareholders in respect of their acceptance of the Offer. This amount of stamp duty will be deducted from the amount payable to the Accepting Shareholders who accept the Offer in the event the Offer materialises.

Overseas Independent Shareholders

The making of the Offer to overseas Independent Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Independent Shareholders should acquaint themselves about and observe any applicable legal requirements. It is the responsibility of each overseas Independent Shareholder who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with the necessary formalities or legal requirements. Any such overseas Accepting Shareholders will be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of such jurisdiction. Acceptance of the Offer by any such person will constitute a warranty by such persons that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

Latest time for acceptance

The Offer is unconditional and the latest time for acceptance is 4:00 p.m. on Wednesday, 24 August 2005 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.

Compulsory acquisition

The Offeror and Parties acting in concert with it do not intend to exercise any right which may be available to it to acquire compulsorily any outstanding issued Shares not acquired under the Offer after it is closed.

In addition, the Offeror and Parties acting in concert with it have no intention as to transferring the Shares acquired under the Offer to other persons other than by way of placing arrangement for the purpose of maintaining the minimum public float of the Company as required under the GEM Listing Rules.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands on 28 April 2005 and is wholly and beneficially owned by Mr. Lau being the sole director of the Offeror. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Offeror and its ultimate beneficial owner, Mr. Lau, are third parties independent of the Company and connected persons of the Company and not Parties acting in concert with each of the Investors. Other than the entering into of the Offeror's Agreement, the Offeror has not conducted any business since its incorporation.

LETTER FROM HANTEC

Mr. Lau was a former banker with several major international financial institutions. He has over 20 years' experience in banking, trading and manufacturing industries and has a variety of business interests in both Hong Kong and the PRC. Mr. Lau holds a Bachelor of Science Degree in Accounting/Business Management and a Master of Business Administration Degree from a university in the United States. Prior to being a private investor managing his own diversified investments in 1993, Mr. Lau was the group managing director of Tomei International (Holdings) Limited (currently known as Omnicorp Limited (Stock Code: 94)), a major manufacturer in consumer electronics, for 7 years. Mr. Lau had been a council member of the City University of Hong Kong from 1992 to 1998.

INTENTION OF THE OFFEROR REGARDING THE GROUP

It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged immediately after the close of the Offer. The Offeror has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following the close of the Offer, the Offeror intends to conduct a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long-term strategy and plans for the Group. Although the Offeror does not have any concrete plan on the future development of the business of the Group at present, the Offeror believes that by leveraging on the business network of the Offeror and the technical and management expertise of its proposed executive Director, Mr. Wan, together with the knowledge and experience of the existing management of the Group in the industry of information-on-demand system solutions, there will be promising potential for such products and services and the Group could explore more business opportunities in the long run.

PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD

Currently, the Board comprises two executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Company's executive Directors are Mr. Li Ting and Mr. Zhang Fulin, and the Company's independent non-executive Directors are Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong. It is expected that all of the existing Directors except Mr. Zhang Fulin will resign and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code. Due to personal reasons, Mr. Wong Hou Yan, Norman has decided to accept the proposed appointment to act as an independent non-executive Director instead of an executive Director as announced in the Joint Announcement. As such, the Offeror intends to nominate Mr. Wan Kin Chung as the executive Director, to replace Mr. Wong Hou Yan, Norman. Moreover, the Offeror proposes to invite the following persons to act as independent non-executive Directors. The appointment of the aforesaid Directors will not take effect earlier than the date of posting of this composite offer and response document in compliance with Rule 26.4 of the Takeovers Code. Further announcement will be made upon the appointment and resignation of the Directors in compliance with the GEM Listing Rules and the Takeovers Code.

Set out below are the biographical details of the proposed executive Director and the independent non-executive Directors to be nominated by the Offeror:

Executive Director

Mr. Wan Kin Chung ("Mr. Wan"), aged 54, graduated from the Hong Kong Polytechnic in Telecommunication/Computer Stream. Mr. Wan had over 25 years' experience in electronics industry and management position. Mr. Wan has been working in multinational companies for more than 20 years and

LETTER FROM HANTEC

was the Section Manager of Data General Hong Kong and the Manufacturing Manager of Tektronix Hong Kong. Mr. Wan had set up two factories (Advent Manufacturing and Tektronix Hong Kong) and he was responsible in site selection, equipment sourcing, establishing company policy and recruitment. Upon his appointment, Mr. Wan will be appointed as the chairman and compliance officer of the Company to replace Mr. Li Ting.

Mr. Wan does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Wan does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Mr. Wan did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

At present, the director's emoluments for Mr. Wan has not yet been determined. No service contract has been entered into between the Company and Mr. Wan. Mr. Wan has no fixed term of service with the Company but will be subject to retirement and re-election at the next annual general meeting of the Company (thereafter retirement by rotation) pursuant to the memorandum of association and by-laws of the Company. Should director's emoluments be considered appropriate for Mr. Wan in the future, Mr. Wan's emoluments shall be determined and reviewed by the Board from time to time with reference to the prevailing market conditions.

Independent non-executive Directors

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

Mr. Wong does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Wong does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Wong did not hold any directorship in any other listed public company in the last three years before his proposed appointment as a Director.

Mr. Kwok Chi Sun, Vincent ("Mr. Kwok"), aged 41, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is an independent non-executive director of six listed companies in Hong Kong i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estate Limited, Oriental Investment Corporation Limited, Fortuna International Holdings Limited and Kanhan Technologies Group Limited, the former five companies are listed on main board of the Stock Exchange while the last company is listed on GEM.

Mr. Kwok does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Kwok does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Kwok did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

LETTER FROM HANTEC

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

Mr. Yeung does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Yeung does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Save as disclosed above, Mr. Yeung did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

Mr. Chan Wing Chiu (“Mr. Chan”), aged 75, holds a bachelor’s degree in electrical engineering from South China University of Guangzhou, the PRC. Mr. Chan has over 48 years of experience in the power supply industry. Mr. Chan has been a power designer for signaling and communication engineer for the Ministry of Railways, the PRC for more than 27 years.

Mr. Chan does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Chan does not have any interests in the securities of the Company within the meaning of Part XV of SFO. Mr. Chan did not hold any directorship in any other listed public companies in the last three years before his proposed appointment as a Director.

The proposed length of service of all of the above proposed independent non-executive Directors with the Company is one year, subject to re-election. The proposed directors’ fees and emoluments of all of the above proposed independent non-executive Directors with the Company is HK\$5,000 each month.

Apart from the above, the Offeror may, at an appropriate time, which is on or before the resignation of the existing Directors, nominate new Directors to the Board. Further announcements relating to the appointments of new Directors will be made by the Company if and when appropriate.

Save as disclosed above, it is the intention of the Offeror that there will be no material change in the existing management and the continued employment of the employees of the Group following the close of the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading in the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

LETTER FROM HANTEC

it will consider exercising its discretion to suspend trading in the Shares.

The Offeror intends that the Company will remain listed on GEM after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

If the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. Under the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the GEM Listing Rules to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the GEM Listing Rules.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the details regarding the procedures for acceptance and settlement set out in Appendix I to this composite offer and response document and the accompanying form of acceptance and transfer.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information sets out in the appendices which form part of this composite offer and response document. Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee to the Independent Shareholders and the letter of advice from Kingston and TIS to the Independent Board Committee set out in this composite offer and response document.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Thomas Lai
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Offer:



IA International Holdings Limited **毅興科技國際控股有限公司***

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

3 August 2005

To the Independent Shareholders

Dear Sir or Madam,

Acquisition of Shares in IA International Holdings Limited by Starryland Profits Limited

Mandatory unconditional cash offer by



Hantec Capital Limited
on behalf of Starryland Profits Limited
for all the issued Shares in IA International Holdings Limited
(other than those Shares already owned by
Starryland Profits Limited and Parties acting in concert with it)

As the Independent Board Committee, we have been appointed to advise you in connection with the Offer, details of which are set out in the “Letter from the Board” in the composite offer and response document (“the Document”) dated 3 August 2005 (the “Document”), of which this letter forms part. Terms used in this letter have the same meanings as given to them in the Document unless the context otherwise requires.

Your attention is drawn to the “Letter from the Board” and the “Letter from Hantec” as set out on pages 5 to 13 and pages 14 to 21 respectively of the Document and the “Letter from Kingston and TIS” as set out on pages 23 to 38 of in the Document containing their advices to the Independent Board Committee regarding the Offer. Having considered the advice given in the letter from Kingston and TIS that the terms of the Offer are fair and reasonable and are in the interests of the Independent Shareholders as a whole, we concur with the advice from Kingston and TIS to recommend the Independent Shareholders to accept the Offer.

Yours faithfully,
Independent Board Committee

Leung Wai Ling, Wylie
*Independent non-executive
Director*

Gui Gan
*Independent non-executive
Director*

Guo Wen Hong
*Independent non-executive
Director*

* For identification purpose only

LETTER FROM KINGSTON AND TIS

The following is the text of the letter of advice from Kingston and TIS Securities to the Independent Board Committee in relation to the Offer for the purpose of inclusion in this composite offer and response document.



KINGSTON CORPORATE FINANCE LIMITED

Suite 2801, 28th Floor,
One International Finance Centre,
1 Harbour View Road, Central, Hong Kong



TIS Securities (HK) Limited

Unit 1010, 10/F., Tower Two, Lippo Centre
89 Queensway,
Hong Kong

3 August 2005

The Independent Board Committee
IA International Holdings Limited
Unit A, 15/F., Long To Building,
654 & 656 Castle Peak Road,
Lai Chi Kok,
Kowloon, Hong Kong

Dear Sirs / Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY
HANTEC CAPITAL LIMITED
ON BEHALF OF
STARRYLAND PROFITS LIMITED
FOR ALL THE ISSUED SHARES IN
IA INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY STARRYLAND PROFITS
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as joint independent financial advisers to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the composite offer and response document in relation to the mandatory unconditional cash offer by Hantec Capital Limited on behalf of the Offeror for all the issued Shares of HK\$0.05 each in the share capital of the Company (other than those Shares already owned by the Offeror and Parties acting in concert with it) (the "Document") dated 3 August 2005 to all the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Document unless the context requires otherwise.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Offer. We have been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Offer for the Independent Board Committee's consideration in making their recommendation to the Independent Shareholders.

LETTER FROM KINGSTON AND TIS

In assessing the eligibility of the Directors to be a member of the Independent Board Committee, we have considered and taken into account the confirmation given by each of the Directors in respect of their interests, if any, in the Company. We noted that Mr. Li Ting and Mr. Zhang Fulin are not regarded as independent in making any recommendation in relation to the Offer as they are executive Directors and salaried employees of the Group. Based on the foregoing, we are of the view that Mr. Li Ting and Mr. Zhang Fulin are not eligible to be members of the Independent Board Committee while Ms. Leung Wai Ling, Wylie, Mr. Gui Gan, and Ms. Guo Wen Hong, all being independent non-executive Directors and independent in respect of the Offer, are eligible to be members of the Independent Board Committee. The Independent Board Committee thus comprises Ms. Leung Wai Ling, Wylie, Mr. Gui Gan, and Ms. Guo Wen Hong.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information, facts and representations contained or referred to in the Document and the accuracy of the information, facts and representations provided by, and the opinions expressed by the Company and the Directors. We have assumed that all information, facts, opinions and representations made or referred to in the Document were true at the time they were made and continued to be true at the date of the Document. All the Directors jointly and severally accept full responsibilities for the accuracy of the information contained in the Document (other than information relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Document (other than those expressed by the Offeror, the terms of the Offer and the Offeror's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Document (other than those relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group), which would make any statement in the Document misleading if omitted. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Document. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our recommendation. We have relied on such information and opinions and have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospect of the Group.

The sole director of the Offeror accepts full responsibilities for the accuracy of the information contained in the Document relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Document relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group have been arrived at after due and careful consideration and there are no other facts relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group not contained in this Document, which would make any statement in the Document misleading if omitted.

We have not considered the tax consequences on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

LETTER FROM KINGSTON AND TIS

BACKGROUND INFORMATION AND TERMS OF THE OFFER

On 12 July 2005, the Offeror entered into the Offeror's Agreement with, among others, the Vendor, pursuant to which, subject to the Conditions as stated in the Letter from the Board in the Document, the Offeror agreed to purchase and the Vendor agreed to sell 180,000,000 Shares for an aggregate consideration of HK\$4,320,000 (equivalent to approximately HK\$0.024 per Share). The Offeror's Sale Shares represent 60% of the entire issued share capital of the Company as at the Latest Practicable Date.

The Offeror's Agreement was completed on 2 August 2005. Following the completion of the Offeror's Agreement, the Offeror and Parties acting in concert with it owned an aggregate of 180,000,000 Shares, representing 60% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, under Rule 26.1 of the Takeover Code, the Offeror and Parties acting in concert with it were obliged to make a mandatory unconditional cash offer for all the issued Shares which are not already owned or agreed to be acquired by them.

Hantec, on behalf of the Offeror, makes a mandatory unconditional cash offer for all the issued Shares other than those already owned by the Offeror or Parties acting in concert with it on the following basis:

For each Share (equivalent to the consideration paid
by the Offeror for each Offeror's Sale Share) HK\$0.024 in cash

There were no outstanding options, warrants or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

The offer price of HK\$0.024 per Share (the "Offer Price") is the same as that paid by the Offeror for the Offeror's Sale Shares under the Offeror's Agreement. As at the Latest Practicable Date, there were 300,000,000 Shares in issue. Based on the Offer Price of HK\$0.024 per Share, the entire issued share capital of the Company was valued at approximately HK\$7,200,000 and all the Shares subject to the Offer (excluding the Investors' Sale Shares) are valued at approximately HK\$1,800,000.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in Appendix I to the Document.

The Offeror has indicated its intention to maintain the listing of the Shares on the Stock Exchange. In this regard, the Company and the new Directors to be appointed will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that not less than 25% of the Shares will be held by the public.

The Stock Exchange has stated that, if at the close of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

LETTER FROM KINGSTON AND TIS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation on the Offer, we have taken into consideration the following principal factors and reasons:

1. Historical financial performance of the Group and outlook of the Group

The Company was listed on GEM on 1 November 2001. The Group is principally engaged in the research, development and provision of information-on-demand system solutions and the provision of related products and services.

Based on the Company's audited consolidated income statement for the year ended 31 March 2004, the Group recorded a net profit of approximately HK\$1,532,000 (equivalent to approximately HK\$0.0051 per Share) whereas the Group recorded a net loss of approximately HK\$23,143,000 (equivalent to approximately HK\$0.0771 per Share) for the year ended 31 March 2005. Based on the Company's audited consolidated balance sheet as at 31 March 2004 and 31 March 2005, the Group's audited net assets were approximately HK\$41,242,000 and HK\$16,818,000 respectively.

A summary of the consolidated income statement and consolidated balance sheet of the Group for the two years ended 31 March 2005 as detailed in Appendix II in the Document were as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	38,864	96,804
Cost of sales	<u>(42,035)</u>	<u>(86,938)</u>
Gross (loss)/ profit	(3,171)	9,866
(Loss)/ Profit from operating activities	(12,758)	2,774
Net (loss)/ profit from ordinary activities attributable to Shareholders	<u>(23,143)</u>	<u>1,532</u>
Net assets value	<u>16,818</u>	<u>41,242</u>
Earning (loss) per Share	(0.0771)	0.0051
Net assets value per Share	<u>0.056</u>	<u>0.137</u>

According to the annual report of the Company for the financial year ended 31 March 2004 (the "2004 Annual Report"), the Group recorded i) an audited turnover of approximately HK\$96.80 million, which represented a decline of approximately 7.3% compared to the previous corresponding year, i.e. approximately HK\$104.39 million; ii) a decrease in the gross profit margin to approximately 10.2% from approximately 13.8% in the previous corresponding year; and iii) audited net profit from ordinary activities attributable to the Shareholders of approximately HK\$1.53 million,

LETTER FROM KINGSTON AND TIS

representing a decrease of approximately 63.2% compared to the previous corresponding year, i.e. approximately HK\$4.16 million. As stated in the 2004 Annual Report, the decrease in turnover was attributed to the decrease in various services and related fees from the development of internet platforms in the PRC; decreased in gross profit margin was attributable to the decrease in average selling prices due to intense competition in electronic business; and the decrease in net profit from ordinary activities attributable to Shareholders was mainly attributable to the decrease in turnover and gross profit margin.

According to the annual report of the Company for the financial year ended 31 March 2005 (the "2005 Annual Report"), the Group recorded a further decline of approximately 59.9% in its turnover as compared to the previous corresponding year. As stated in the 2005 Annual Report, the decrease in turnover was attributable to the intense competition and sales discounts due to quality problem in some products developed and decrease in service fees from the development of various internet platforms in the PRC. The Group recorded a gross loss for the financial year 2005 due to decrease in selling price and intense competition in existing market. Net loss from ordinary activities attributable to Shareholders for the financial year 2005 amounted to approximately HK\$23.14 million. Losses during that period were mainly attributed to decrease in sales and gross profit, provision for impairment loss of investments in securities of approximately HK\$8.22 million, loss on disposals of fixed assets of approximately HK\$3.91 million and provision for bad and doubtful debts of approximately HK\$3.09 million.

The Directors consider that apart from intense competition from other competitors, the recent product quality problems have caused unfavourable change to the Group's operation. According to the Directors, customers have been cautious in placing orders with the Group and have used the product quality problem as an excuse to bargain for price reduction. The Directors advised that orders-on-hand as at 31 March 2005 for internet appliances had decreased by approximately 50% as compared to the previous corresponding periods. Average gross profit margin (before discount was given due to the quality problem) for such orders have also decreased from approximately 10.2% to approximately 5.0%. As stated in the 2005 Annual Report, above 95.5% of the Group's turnover is delivered from the trading of internet appliance and related products, therefore, we find out some latest market information on internet equipment business in the PRC. According to the China Markets Yearbook 2005, which all the data are exclusively provided by National Bureau of Statistics, PRC, issued by Foreign Languages Press, the number of firm engaging in the internet equipment business in the PRC had increased from 51 in year 2002 to 65 in year 2003, representing an increase of approximately 27.5%. However, the profit in the industry were approximately RMB891 million and RMB458 million respectively in the same period. The average net profit for each of the firm in this sector was decreased from approximately RMB 17.47 million in year 2002 to approximately RMB7.05 million in year 2003, represented a decrease of approximately 48.5%. According to the Directors, as more firms had entered into the industry, the competition in this sector increased.

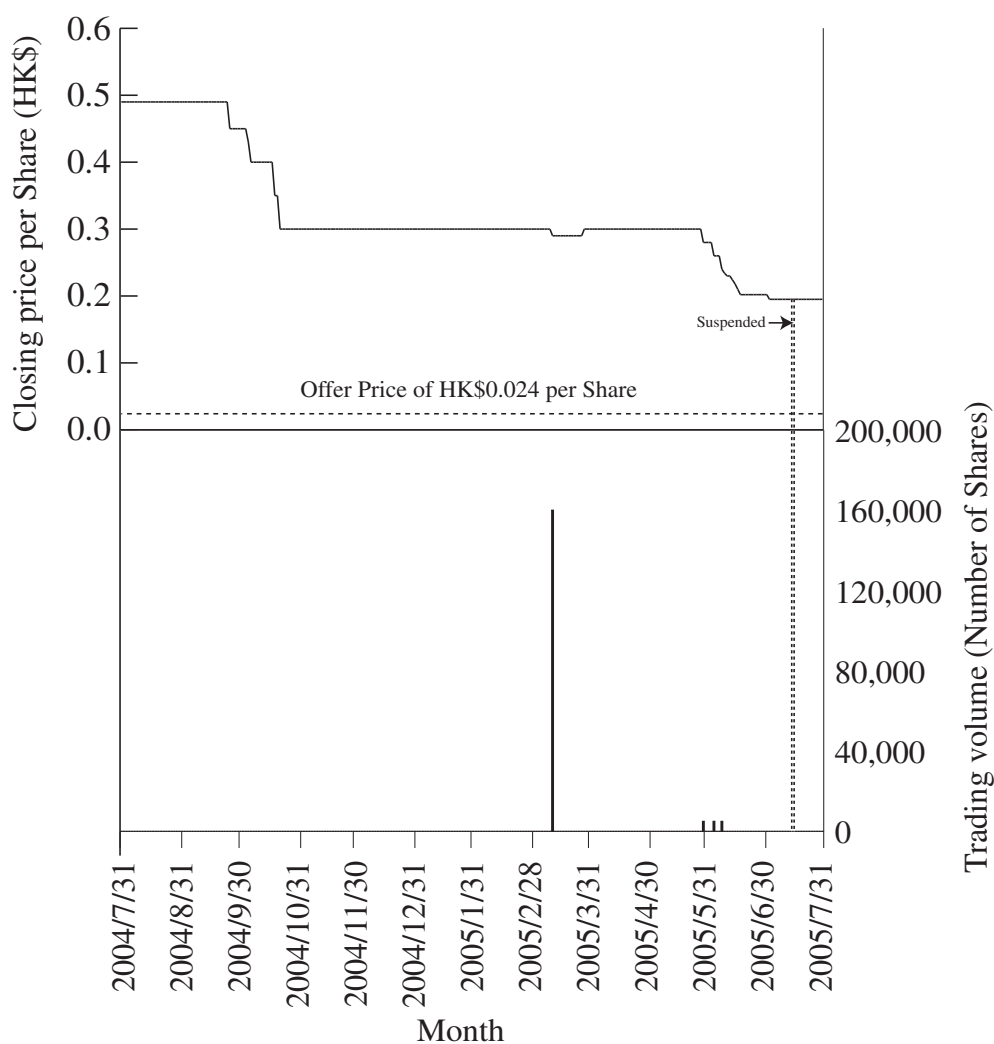
In view of the difficult operating environment as stated above, the Group has implemented various cost control measures in the financial year 2005. For the year ended 31 March 2005, the administrative expenses and other operating expenses were approximately HK\$6.12 million, lower than the corresponding figure of approximately HK\$7.0 million in the past corresponding period. However, the cost control measures did not help to improve the profitability of the Group much given there being a substantial decrease in its turnover during the same period under review.

LETTER FROM KINGSTON AND TIS

2. Historical Share price performance and trading liquidity

Share price performance

In order to illustrate the most recent performance of the Shares, including the trading price and trading volume of the Shares, we set out below a graph which illustrates the daily historical closing prices and trading volume of the Shares traded on the Stock Exchange from 1 July 2004 to the Latest Practicable Date (both dates inclusive, the “Relevant Period”).



LETTER FROM KINGSTON AND TIS

The highest, lowest, month/period-end and monthly average daily closing prices of the Shares for each of the months during the Relevant Period were as follows:

Month	Highest closing price <i>HK\$</i>	Lowest closing price <i>HK\$</i>	Month/ period end closing price <i>HK\$</i>	Monthly average daily closing price <i>HK\$</i>
2004				
July	0.490	0.490	0.490	0.490
August	0.490	0.450	0.450	0.486
September	0.450	0.300	0.300	0.390
October	0.300	0.300	0.300	0.300
November	0.300	0.300	0.300	0.300
December	0.300	0.300	0.300	0.300
2005				
January	0.300	0.300	0.300	0.300
February	0.300	0.290	0.290	0.299
March	0.300	0.290	0.300	0.295
April	0.300	0.300	0.300	0.300
May	0.300	0.260	0.260	0.292
June	0.260	0.195	0.195	0.222
July (<i>Note</i>)	0.195	0.195	0.195	0.195
August (up to and including the Latest Practicable Date)	0.195	0.195	0.195	0.195

Note: Trading of Shares was suspended on 13 July 2005 pending the release of the Joint Announcement

Source: Stock Exchange website (www.hkex.com)

During the Relevant Period, the highest closing price and the lowest closing price of the Shares on the Stock Exchange were HK\$0.49 per Share during the period from 2 July 2004 to 27 August 2004 and HK\$0.195 per Share during the period from 28 June 2005 to the Latest Practicable Date. The lowest closing price was approximately 60.20% below the highest closing price. The Offer Price represents a discount of approximately 87.8% to the lowest closing price of HK\$0.195 per Share during the Relevant Period. After the release of the Joint Announcement and up to the Latest Practicable Date, the closing price of the Shares was HK\$0.195, which is the same of that before the release of the Joint Announcement and was above the Offer Price.

LETTER FROM KINGSTON AND TIS

The Offer Price is the same as the price paid by the Offeror to the Vendor for each of the Offeror's Sale Shares under the Offeror's Agreement and represents:

- (i) a discount of approximately 87.7% to the closing price of HK\$0.195 per Share as quoted on GEM on 12 July 2005, being the last day of trading in the Shares prior to the release of Joint Announcement;
- (ii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share quoted on GEM for the last 5 consecutive days of trading in the Shares up to and including 12 July 2005;
- (iii) a discount of approximately 87.7% to the average of the closing prices of approximately HK\$0.195 per Share quoted on GEM for the last 10 consecutive days of trading in the Shares up to and including 12 July 2005;
- (iv) a discount to approximately 87.7% to the closing price of HK\$0.195 per Share as quoted on the GEM on the Latest Practicable Date;
- (v) a discount of approximately 57.1% to the audited net asset value of the Company of approximately HK\$0.056 as at 31 March 2005 based on the audited consolidated financial statements of the Group made up to 31 March 2005.

As indicated above, the closing prices of the Shares have been consistently and significantly higher than the Offer Price which represents a discount to the market prices of the Shares both before and after the release of the Joint Announcement. However, Independent Shareholders should also note that the price of the Shares had been on an overall downward trend during the Relevant Period. The closing price of the Shares has declined substantially for approximately 60.20% from the highest level of HK\$0.49 per Shares to the lowest level of HK\$0.195 per Share. Consequently, we consider that the historical price performance of the Shares does not serve a meaningful reference to assess whether the Offer Price is fair and reasonable, particularly after taking into account the extremely low liquidity of the Shares, in fact nearly no trading of the Shares in the market during one year period before the date of the Joint Announcement (details of which are set out in the sub-section headed "Liquidity" below in this letter) and the opportunity offered under the Offer for the Independent Shareholders to dispose of their investments in the Shares.

LETTER FROM KINGSTON AND TIS

Trading liquidity of the Shares

The following table sets out the total number and average daily number of the Shares traded per month and the respective percentages of monthly trading volume compared to the issued share capital and the Shares held by the public during the Relevant Period:

Month/period	Trading volume (Shares)	Average daily trading volume (Shares)	Percentage of average daily trading volume for the month to total number of issued Shares as at the Last Trading Day (%) (Note a)	Percentage of average daily trading volume for the month to total number of Shares held by the public as at the Last Trading Day (%) (Note b)
2004				
July	–	–	Nil	Nil
August	–	–	Nil	Nil
September	–	–	Nil	Nil
October	–	–	Nil	Nil
November	–	–	Nil	Nil
December	–	–	Nil	Nil
2005				
January	–	–	Nil	Nil
February	160,000	9,412	0.003	0.013
March	–	–	Nil	Nil
April	–	–	Nil	Nil
May	10,000	500	0.0002	0.0007
June	5,000	238	0.00008	0.0003
July (Note c)	–	–	Nil	Nil
August (up to and including the Latest Practicable Date)	–	–	Nil	Nil

Notes:

- a. Based on 300,000,000 Shares in issue as at the Last Trading Day as stated in the Joint Announcement
- b. Based on 75,000,000 Shares held in public hands as at the Last Trading Day as stated in the Joint Announcement
- c. Trading of the Shares was suspended on 13 July 2005 pending the release of the Announcement

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

LETTER FROM KINGSTON AND TIS

As illustrated in the table above, the trading volume of the Shares on GEM was very thin during the Relevant Period being in a minimum and maximum range of approximately 0.003% to 0.00008% of the total issued share capital of the Company as at the Latest Practicable Date. The trading of the Shares has effectively dried up within the Relevant Period (only 175,000 Shares were traded within the Relevant Period). Out of the 272 trading days during the entire Relevant Period, there were 268 days without any trading volume.

Given the lack of liquidity in the trading of Shares within the Relevant Period, Independent Shareholders who intend to dispose of their shareholdings in the market may not be able to do so without exerting a downward pressure on the price of the Share. Therefore, we are of the view that the Offer represents an alternative exit for such Shareholders albeit at an unattractive price.

Given the Group's loss making operations, uncertain future prospects and extremely low trading liquidity of the Shares, we consider a substantial discount to the market price will be unavoidable in order to attract any buyer for significant amount of the Shares. In considering the discount of the Offer Price to the market price of the Shares, Independent Shareholders should take into account the fact that the Offer provides a ready exit for them to realize their investment in the Shares which may not exist in the open market.

3. Net asset value

The audited net asset value of the Group ("NAV") as at 31 March 2005 was approximately HK\$16.82 million (equivalent to approximately HK\$0.056 per Share). The Offer Price represents a discount of approximately 57.1% to the NAV per Share as at 31 March 2005.

Based on the 2005 Annual Report, the Group's total assets, i.e. approximately HK\$29.94 million mainly consist of fixed assets (approximately 26.80% of the Group's total assets); investment in listed securities (approximately 4.60% of the Group's total assets); deferred tax assets (approximately 5.5% of the Group's total assets); account receivables and prepayment, deposits and other receivables (approximately 59.47% of the Group's total assets); tax refundable (approximately 3.1% of the Group's total assets) and cash and bank balances (approximately 0.54% of the Group's total assets). We consider that the plant and equipment are essential assets for the Group's operations, shareholders do not usually have a chance to realize the value of such assets except in the case of liquidation scenario.

The Directors are of the view that the book value of the Group's assets may not be an accurate indicator of their disposal value since there may not be ready buyers for these assets; the price differential between new and used plant and machinery/equipment could be substantially large. Therefore, we consider that book value of the assets may not be an accurate indicator of their disposal value and that the NAV per Share is not a meaningful reference to assess the Offer Price. In addition, the NAV per Share in the financial year 2005 was HK\$0.056 which represent a decrease of approximately 59.1% when compared with that for the financial year 2004 which is HK\$0.137. According to the Directors and the 2005 Annual Report, the decrease in NAV per Share was mainly attributed by the loss per Share of approximately HK\$0.0771 in the financial year 2005.

LETTER FROM KINGSTON AND TIS

4. Price/earnings multiple

Having regard to the nature of the business of the Group, we consider it appropriate to compare its price earnings multiple with others. However, it is not appropriate to assess the valuation of the Company by price earnings multiple as the Company recorded an audited consolidated loss attributable to Shareholders for the year ended 31 March 2005, being the latest published audited financial results of the Group.

5. Dividend yield

According to the 2004 Annual Report and the 2005 Annual Report, we note that for the three consecutive years ended 31 March 2005, the Company has not declared any dividend. On this basis, it is not applicable for us to assess the Offer Price by way of analyzing the dividend yield of the Company.

6. Comparison with other cash offers

To the best of our knowledge and based on the information from the GEM and the Stock Exchange websites, we understand that there is no company listed on GEM that have identical business with the Company. In addition, as stated in the section headed “Historical Share price performance and trading liquidity”, we consider that the historical price performance of the Shares does not serve a meaningful reference to assess whether the Offer Price is fair and reasonable, therefore, we consider to use other recent cash offers for shares of companies listed on GEM for comparison. In order to illustrate the most recent other cash offers conducted on GEM, we set out in the following table with data of all cash offers for shares of companies listed on GEM (given that they had all reported net loss in their latest published annual and/or quarterly reports immediately before announcements of their respective offers)with the closing date of cash offers within the period from 1 January 2004 to the date of the Joint Announcement (the “Other Recent Cash Offers”). The table shows a comparison of the respective offer prices to the respective last trading price of the offer shares and the respective net asset value of the Other Recent Cash Offers.

LETTER FROM KINGSTON AND TIS

Company (Stock code)	Principal business	Date of offer announcement	Offer price per share <i>HK\$</i>	Closing price prior to the release of the offer announcement ("Last Closing Price") <i>HK\$</i>	Net asset value/ (deficit) per share based on the latest published figures prior to the offer (<i>Note</i>) <i>HK\$</i>	Premium/(discount) of the offer price over/to the:	
						Last Closing Price %	Net asset value %
GP Nano Technology Group Limited (8152)	Manufacturing and sale of nanomaterials for use as fillers in different industrial applications such as the manufacturing of plastic and rubber product	20 August 2003	0.01	0.036	0.1146	(72.22)	(91.27)
M Channel Corporation Limited (8036)	Engage in the out-of home audio and video media business under the brand name of "M Channel" in Hong Kong and the PRC	6 November 2003	0.015	0.024	0.0086	(37.50)	74.42
Computech Holdings Limited (8081)	Research, development and sales of banking package software products, provision of software related consultancy and technical services and system integration services	13 November 2003	0.0666	0.22	0.0668	(69.73)	(0.30)
AGL MediaTech Holdings Limited (8192)	Providing online rich media and content distribution solution in Hong Kong, developing products and technologies for on-line rich media and content distribution	17 December 2003	0.04	0.4	0.0170	(90.00)	135.30

LETTER FROM KINGSTON AND TIS

Company (Stock code)	Principal business	Date of offer announcement	Offer price per share <i>HK\$</i>	Closing price prior to the release of the offer announcement ("Last Closing Price") <i>HK\$</i>	Net asset value/ (deficit) per share based on the latest published figures prior to the offer (<i>Note</i>) <i>HK\$</i>	Premium/(discount) of the offer price over/to the:	
						Last Closing Price %	Net asset value %
China Advance Holdings Limited (8117)	Provision of arcade game-on-demand service via the Internet through turning existing arcade games into online version together with game-on-demand and multiplayer features in the Greater China Region	30 January 2004	0.0257	0.053	0.0075	(95.15)	242.62
Cyber On-Air Group Company Limited (8118)	Application solutions, network solutions, project services, engineering services, recruitment services, content licensing and IT services	8 March 2004	1.00	7.20	(59.30)	(86.11)	N/A
Stockmartnet Holdings Limited (8123)	Provide electronic-based services to small to medium-sized stockbrokers	23 February 2005	0.026	0.027	0.0347	(3.70)	(25.07)
Vaso Digital International Holdings Limited (8220)	Development, design and sale of digital AV products including IC recorders, MP3 players and DVD players	1 March 2005	0.01923	0.11	0.0414	(82.52)	(53.55)
Trasy Gold EX Limited (8063)	Provision and operation of an Internet-based electronic platform to facilitate the trading of precious metals	12 April 2005	0.00575	0.013	0.022	(55.8)	(73.9)

LETTER FROM KINGSTON AND TIS

Company (Stock code)	Principal business	Date of offer announcement	Offer price per share HK\$	Closing price prior to the release of the offer announcement ("Last Closing Price") HK\$	Net asset value/ (deficit) per share based on the latest published figures prior to the offer (Note) HK\$	Premium/(discount) of the offer price over/to the:	
						Last Closing Price %	Net asset value %
Town Health International Holdings Limited (8138)	Provision of healthcare and dental services; sale of healthcare and pharmaceutical products and investment in a number of companies in the healthcare industry	20 April 2005	0.037	0.043	0.050	(14.0)	(26.0)
Mean						(60.67)	-
Median						(62.77)	-
Company	Research, development and provision of information-on-demand system solutions and the provision of related products and services	13 July 2005	0.024	0.195	0.056	(87.7)	(57.1)

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

Note: Based on the net asset values and number of shares in issue as at the respective offer document/financial year/period end date as stated in the latest financial reports of the respective companies issued prior to the announcement of the cash offers.

As illustrated in the table above, the offer prices in the Other Recent Cash Offers represent discounts with a minimum and maximum range from approximately 3.70% to 95.15% to the closing prices of the respective offered shares immediately prior to the release of the announcements of the relevant cash offers and with a mean and median of approximately 60.67% and approximately 62.77% respectively. The companies which were the subject of the Other Recent Cash Offers were all loss making and with thin liquidity in their shares traded on GEM. Based on the Other Recent Cash Offers, we noted that the deep discounts of the offer price to the market price of the respective offered shares reflect that the respective offerors had little regard to the prevailing market price of the underlying shares in deciding the offer price for the underlying shares. We noted that discount of the Offer Price to the closing price of the Shares as at the Last Trading Day of approximately 87.7% falls within the minimum and maximum range of that of the Other Recent

LETTER FROM KINGSTON AND TIS

Cash Offers and slightly above the mean and media of such offers. Besides, the discount/premium of the offer price to the net asset value of the respective offered share varies significantly and ranges from a discount of approximately 91.27% to a premium of approximately 242.67%. Among all the companies which were the subject of the Other Recent Cash Offers, only GP Nano Technology Group Limited and Vaso Digital International Holdings Limited are manufacturing concerns (the "Similar Companies") and the respective discount of the offer price to the net asset value per offer share are approximately 91.27% and approximately 53.55% respectively and the respective discount of the offer price to the their Last Closing Price are approximately 72.22% and 82.52% respectively. The Offer Price represents (i) approximately 57.1% discount to the net asset value per Share, which is within the minimum and maximum range of that of the Similar Companies and is at a lesser discount than the mean of that of the Similar Companies; and (ii) approximately 87.7% discount to the closing price of the Shares on the Last Trading Day, which is slightly above the minimum and maximum range of that of the Similar Companies and is slightly above than the mean of that of the Similar Companies.

Although we consider that the Other Recent Cash Offers and Similar Companies are not identical to the Company in term of the business nature, the purpose of showing the aforesaid comparison is to provide additional information to the Shareholders about the recent other cash offers conducted in GEM since the year 2004.

RECOMMENDATION

Having considered the principal factors discussed above, in summary that:

1. the downturn financial performance of the Company for the two years ended 31 March 2005;
2. the uncertainty of the Group's future prospect as stated under the section headed "Historical financial performance of the Group and outlook of the Group" in this letter;
3. the low liquidity of the Shares during the Relevant Period, details of which are shown in the table under the section headed "Historical Share price performance and trading liquidity" in this letter, which may make it difficult for the Independent Shareholders to dispose of their Shares in the market after the close of the Offer without offering substantial discount to the market price;
4. the discount of the Offer Price to the closing price of the Shares as at the Last Trading Day of approximately 87.7% which is fall within the minimum and maximum range of the that of the Other Recent Cash Offers; and
5. the Offer Price represents approximately 57.1% discount to the net asset value per Share, which is within the minimum and maximum range of that of the Similar Companies and is at a lesser discount than the mean of that of them,

LETTER FROM KINGSTON AND TIS

we are of the view that the Offer, including the Offer Price, is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. However, we would also like to advise the Independent Board Committee to recommend the Independent Shareholders to closely monitor the market price and the liquidity of the Shares in the market during the period of the Offer and consider selling their Shares in the market during the period of the Offer, rather than accepting the Offer, if the net proceeds of the sales could exceed the amount receivable under the Offer.

For those Independent Shareholders who wish to retain part or all of their investments in the Shares, they should carefully consider the future intentions of the Offeror regarding the Group, details of which are set out in the “Letter from Hantec” contained in the Document.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I and the accompanying form of acceptance and transfer to the Document and are strongly advised that the decision to realize or hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of

Kingston Corporate Finance Limited
Elton Cheung
Director

TIS Securites (HK) Limited
Raymond Tang
Director

FURTHER PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name(s), and you wish to accept the Offer, you must send the form of acceptance and transfer duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar.

- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some names other than your own, and you wish to accept the Offer, you must:
 - (i) lodge your share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the relevant form of acceptance and transfer of the Shares duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the form of acceptance and transfer of the Shares duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on 23 August 2005 which is one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on processing of your instructions and submit your instructions to your broker/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instructions via the CCASS Phone System or CCASS Internet System not later than 23 August 2005 which is one Business Day before the latest date on which acceptance of the Offer must be received by the Registrar.

- (c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer, the form of acceptance and transfer of the Shares should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged (a) transfer(s) of any of your Shares for registration in your name and have not yet received your certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the form(s) of acceptance and transfer of the Shares and deliver it/them to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to Hantec, INCU, the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the share certificate(s), when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the form of acceptance and transfer.
- (e) Acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not accompanied by the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, but, in such cases, the cheque(s) for the consideration due will not be despatched until the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or a satisfactory indemnity or indemnities in respect thereof) has/have been received by the Registrar or the company secretary of the Company, as the case may be.
- (f) No acknowledgement of receipt of any form(s) of acceptance and transfer of the Shares, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title will be given.
- (g) The address of the Registrar is Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

SETTLEMENT

Provided that the form(s) of acceptance and transfer of Shares and the share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar not later than 4:00 p.m. on Wednesday, 24 August 2005 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to you in respect of the Shares tendered by you under the Offer, less seller's ad valorem stamp duty payable by you will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar.

Settlement of the consideration to which any Accepting Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, rights of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

ACCEPTANCE PERIOD

- (a) The Offeror reserves the right to revise or extend the Offer in accordance with the relevant provisions of the Takeovers Code.
- (b) Unless the Offer has previously been extended or revised, the latest time for acceptance of the Offer will be at 4:00 p.m. on 24 August 2005. The Offer will close on 24 August 2005.
- (c) If the Offer is revised (either in its terms and conditions or in the value or nature of the consideration offered or otherwise) the benefit of the revised Offer will be made available to all Shareholders whether or not they have already accepted the Offer on the date of such revision. Revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (d) If the Offer is extended, an announcement of such extension will be made. In any such announcement, the next closing date will be stated or, a statement that the Offer will remain open until further notice will be made. In the case of the latter, not less than 14 days' notice will be given in writing and by way of announcement prior to the close of the Offer.

ANNOUNCEMENTS

- (a) By 6:00 p.m. on Wednesday, 24 August 2005, being the closing date of the Offer, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement through the Stock Exchange by 7:00 p.m. on Wednesday, 24 August 2005, being the closing date of the Offer, stating whether the Offer has been revised or extended, or has expired. Such announcement must state the total number of Shares and rights over Shares:
 - for which acceptances of the Offer have been received;
 - held, controlled or directed by the Offeror or Parties acting in concert with it before the offer period; and
 - acquired or agreed to be acquired during the offer period by the Offeror or any persons acting in concert with it.

The announcement will include details of voting rights, rights over Shares, derivatives and arrangements as required by Rule 3.5(c), (d) and (f) of the Takeovers Code. The announcement will also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

- (b) In computing the number of Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in order or are subject to verification will be stated.
- (c) As required under the Takeovers Code and the GEM Listing Rules, any announcement in relation to the Offer in respect of which the Executive and the Stock Exchange has confirmed that they have no further comments thereon must be published on the GEM website.

RIGHT OF WITHDRAWAL

As the Offer is unconditional, acceptances by the Accepting Shareholders under the Offer shall be irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code.

GENERAL

- (a) All communications, notices, form of acceptance and transfer, share certificates (if any), transfer receipts, other documents of title or indemnity and remittances to be delivered by or sent to or from Shareholders will be delivered by or sent to or from them, or their designated agents, through ordinary post at their own risk, and neither the Company, the Offeror, Hantec and INCU nor the Registrar nor any of their respective directors and agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the accompanying forms of acceptance and transfer form part of the Offer.
- (c) The accidental omission to despatch this composite offer and response document and/or the forms of acceptance and transfer or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the form of acceptance and transfer will constitute an authority to the Offeror or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all rights of pre-emption, options, third party rights, liens, claims, charges, equities and encumbrances and together with all rights attaching thereto including the right to receive all future dividends or other distributions declared, paid or made on the Shares after the date of the Offeror's Agreement.

- (g) Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of any acceptance and transfer or the market value of the Shares, will be payable by Accepting Shareholders accepting the Offer. The Offeror will pay such amount of stamp duty on behalf of the Accepting Shareholders and such amount will be deducted from the amount due to such Accepting Shareholders under the Offer.
- (h) The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any Shares not acquired under the Offer after the Offer has closed.
- (i) References to the Offer in this composite offer and response document and in the form of acceptance and transfer shall include any extension and revision thereof.
- (j) The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.
- (k) The English text of this composite offer and response document and of the form of acceptance and transfer shall prevail over the Chinese text for the purpose of interpretation.

A. SHARE CAPITAL**Authorised and issued share capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised: *HK\$*

Ordinary shares

<u>2,000,000,000</u>	Shares	<u>100,000,000</u>
----------------------	--------	--------------------

Issued and fully paid or credited as fully paid:

Ordinary shares

<u>300,000,000</u>	Shares	<u>15,000,000</u>
--------------------	--------	-------------------

No Shares have been issued by the Company since 31 March 2005, being the date to which the latest audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date. All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

As at the Latest Practicable Date, the Group did not have any outstanding options, warrants or other securities carrying rights of conversion into or exchange or subscription for the Shares.

B. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results and balance sheet of the Group for the three years ended 31 March 2005:

CONSOLIDATED RESULTS

	For the year ended 31 March		
	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	38,864	96,804	104,385
Cost of sales	(42,035)	(86,938)	(89,962)
	<u> </u>	<u> </u>	<u> </u>
Gross (loss)/profit	(3,171)	9,866	14,423
Other revenue	250	937	717
Distribution costs	(626)	(976)	(1,149)
Administrative expenses	(4,033)	(3,953)	(5,614)
Provision for bad and doubtful debts	(3,093)	(56)	–
Other operating expenses	(2,085)	(3,044)	(2,943)
	<u> </u>	<u> </u>	<u> </u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	(12,758)	2,774	5,434
Loss on disposals of fixed assets	(3,910)	–	–
Provision for impairment loss of other investments	(8,223)	–	–
Finance costs	(219)	(22)	(372)
	<u> </u>	<u> </u>	<u> </u>
(LOSS)/PROFIT BEFORE TAXATION	(25,110)	2,752	5,062
Taxation	1,841	(1,221)	(971)
	<u> </u>	<u> </u>	<u> </u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	(23,269)	1,531	4,091
Minority interests	126	1	72
	<u> </u>	<u> </u>	<u> </u>
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(23,143)</u>	<u>1,532</u>	<u>4,163</u>
(LOSS)/EARNINGS PER SHARE			
– Basic	<u>(7.71) cent</u>	<u>0.51 cent</u>	<u>1.39 cent</u>

CONSOLIDATED BALANCE SHEET

	2005	As at 31 March	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	8,022	9,199	1,724
Other investments	1,377	10,800	–
Deferred tax assets, net	1,646	–	–
	<u>11,045</u>	<u>19,999</u>	<u>1,724</u>
CURRENT ASSETS			
Accounts receivable	12,175	23,268	18,230
Prepayments, deposits and other receivables	5,626	1,909	4,581
Tax refundable	927	–	–
Cash and bank balances	162	9,256	34,758
	<u>18,890</u>	<u>34,433</u>	<u>57,569</u>
CURRENT LIABILITIES			
Accounts payable	541	4,969	12,967
Bills payable	8,084	–	–
Accrued expenses and other payables	1,331	4,051	1,384
Taxes payable	1,078	2,045	2,341
Bank overdrafts – secured	–	–	2,005
Bank overdrafts – unsecured	84	–	–
	<u>11,118</u>	<u>11,065</u>	<u>18,697</u>
NET CURRENT ASSETS	<u>7,772</u>	<u>23,368</u>	<u>38,872</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	18,817	43,367	40,596
MINORITY INTERESTS	<u>(1,999)</u>	<u>(2,125)</u>	<u>(2,126)</u>
	<u>16,818</u>	<u>41,242</u>	<u>38,470</u>
CAPITAL AND RESERVES			
Issued capital	15,000	15,000	15,000
Reserves	1,818	26,242	23,470
	<u>16,818</u>	<u>41,242</u>	<u>38,470</u>

There were neither extraordinary nor exceptional items existing during each of the three years ended 31 March 2005.

No dividend has been paid or declared by the Company for each of the three years ended 31 March 2005.

No qualified opinion has been issued by the Company's auditors for each of the three years ended 31 March 2005.

C. FINANCIAL STATEMENTS

Set out below is the audited financial information of the Group for the two years ended 31 March 2005 as extracted from the Annual Report 2005.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

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

CONSOLIDATED BALANCE SHEET*At 31 March 2005*

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

APPENDIX II**FINANCIAL INFORMATION ON THE GROUP****BALANCE SHEET***At 31 March 2005*

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

STATEMENT OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY

For the year ended 31 March 2005

Group

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

Company

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

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2005*

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

NOTES TO THE FINANCIAL STATEMENTS*31 March 2005***1. CORPORATION INFORMATION**

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

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

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

2. BASIS OF PRESENTATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

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

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

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

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

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

(b) Related parties

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(c) Negative goodwill**

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

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

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

(d) Fixed assets

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

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

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

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

(e) Research and development costs

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

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

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

(f) Other investments

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(g) Operating leases**

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

(h) Cash and cash equivalents

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

(i) Taxation

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

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

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

(j) Revenue recognition

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

- (i) Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold and
- (ii) Revenue from the sales of e-commerce platform systems is recognised when the customer accepts the installation and that the system is operating satisfactorily.
- (iii) Revenue from provision of computer network setup service is recognised when the customer accepts the delivery and that the system is operating satisfactorily.
- (iv) Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(k) Dividends

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(l) Translation of foreign currencies**

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

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

(m) Accounts receivable

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

(n) Pension scheme

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

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

(o) Provisions

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

(p) Impairment of assets

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(q) Contingent liabilities and contingent assets**

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

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

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

5. TURNOVER

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

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

6. OTHER REVENUE

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	5	209
Setup fee for computer networks and others	245	728
	<u>250</u>	<u>937</u>

7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting:		
Interest income	5	209
Exchange gain	81	–
	<u>86</u>	<u>209</u>
Charging:		
Auditors' remuneration	240	270
Provision for bad and doubtful debts	3,093	56
Cost of inventories sold	42,035	86,938
Directors' remuneration	332	359
Depreciation of fixed assets	1,180	538
Exchange losses	–	139
Operating leases in respect of land and buildings	505	603
Research and development costs	2,085	2,894
Pension scheme contributions	127	132
Staff costs (excluding directors' remuneration)	2,421	3,650
	<u>24,868</u>	<u>98,939</u>

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

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

8. FINANCE COSTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank overdrafts and bills wholly repayable within five years	219	22
	<u>219</u>	<u>22</u>

9. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

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

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

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

Emoluments of executive directors are as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive director A, resigned	–	179
Executive director B	100	–
Executive director C	100	–
	<u>200</u>	<u>179</u>

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

	Number of directors	
	2005	2004
Emolument bands		
Nil to HK\$1,000,000	5	7
	<u>5</u>	<u>7</u>

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

9. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES *(continued)*

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,307	1,455
Pension scheme contributions	60	60
	<u>1,367</u>	<u>1,515</u>

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

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

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

10. TAXATION

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

The amount of taxation in the consolidated income statement represents:

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

10. TAXATION (continued)

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

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

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

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

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

12. DIVIDENDS

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

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$23,143,000 (2004: net profit of HK\$1,532,000) and on the weighted average number of 300,000,000 (2004: 300,000,000) ordinary shares of the Company.

Diluted (loss)/earnings per share is not presented as there are no diluting events during the year.

14. FIXED ASSETS

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

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

15. OTHER INVESTMENTS

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

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

15. OTHER INVESTMENTS (continued)

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

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

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

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

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

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

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Percentage of attributable equity interest		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	Holding of fixed assets
Global Form Limited	British Virgin Islands	US\$50,000 Ordinary	-	100	Investment holding
深圳毅興科技企業有限公司	PRC	HK\$20,000,000	-	90	Provision of IOD system solutions
IA Enterprise Limited	Hong Kong	HK\$1,000,000 Ordinary	-	100	Trading of internet appliances
Sunny Sky Investments Management Limited	British Virgin Islands	US\$1 Ordinary	-	100	Investment holding

17. ACCOUNTS RECEIVABLE

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

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

18. ACCOUNTS PAYABLE

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	405	4,867
31-60 days	–	–
Over 61 days	136	102
	<u>541</u>	<u>4,969</u>

19. BANK BORROWINGS

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

20. SHARE CAPITAL

(a) Shares

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
300,000,000 ordinary shares of HK\$0.05 each	<u>15,000</u>	<u>15,000</u>

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

(b) Share options

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

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

21. RESERVES

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

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

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

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

22. DEFERRED TAX ASSETS

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

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

- (a) deferred tax assets of HK\$1,683,000 (2004: unrecognised deferred assets of HK\$9,000) were recognised on tax losses in the current year; and
- (b) deferred tax liabilities amounting to HK\$37,000 (2004: unrecognised deferred tax liabilities of HK\$26,000) were provided on temporary differences arising from accelerated depreciation difference.

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

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

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

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

23. OPERATING LEASE ARRANGEMENTS

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

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

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	84	213
In the second to fifth years, inclusive	—	—
	<u>84</u>	<u>213</u>

24. COMMITMENTS

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

25. CONTINGENT LIABILITIES

	Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Guarantee provided to a subsidiary company for its utilised banking facilities at the balance sheet date	<u>8,084</u>	<u>—</u>

26. APPROVAL OF THE FINANCIAL STATEMENTS

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

INDEBTEDNESS**Bank Borrowings**

As at the close of business on 30 June 2005, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings of approximately HK\$7.4 million, which are payable within one year, comprising secured trust receipts loans of approximately HK\$7.2 million and bank overdraft of approximately HK\$0.2 million.

Contingent liabilities

As at the close of business on 30 June 2005, the Company had provided guarantees for banking facilities granted to a wholly-owned subsidiary of which HK\$7.4 million was utilized.

Disclaimers

Save as the aforesaid, the Group did not have any outstanding mortgages, charges, debentures or other loan capital issued or outstanding or agreed to be issued, loans or other similar indebtedness, or hire purchase commitments or any guarantees or other material contingent liabilities at the close of business on 30 June 2005.

MATERIAL CHANGE

The Directors are not aware that there has been any material change in the financial or trading position or prospects of the Group since 31 March 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up.

RESPONSIBILITY STATEMENT

This composite offer and response document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

The information contained in this composite offer and response document (other than that relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group) is supplied by the Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this composite offer and response document (other than those relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this composite offer and response document (other than those relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group) not contained in this composite offer and response document, the omission of which would make any statement in this composite offer and response document misleading.

The information contained in this composite offer and response document relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group, is supplied by the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this composite offer and response document relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this composite offer and response document relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group have been arrived at after due and careful consideration and there are no other facts relating to the Offeror, the terms of the Offer and the Offeror's intention regarding the Group not contained in this composite offer and response document, the omission of which would make any statement in this composite offer and response document misleading.

DISCLOSURE OF INTERESTS**(a) Directors' interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person, other than a Director or chief executive of the Company, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or is expected

directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group and the rights of each of such person's interest in such sections, together with particulars of any options, in respect of such capital:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares held	Percentage of shareholding in the Company (%)
The Offeror	Beneficial owner	180,000,000	60
Mr. Lau (Note)	Interest of controlled corporation	180,000,000	60

Note: The Offeror is wholly owned by Mr. Lau.

(c) Offeror's interests in the securities of the Company

Save as disclosed in the paragraph headed "Disclosure of interests" in this Appendix, none of the Offeror, its sole director nor Parties acting in concert with it had any interest in the securities, convertible securities, warrants, options and derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in the securities, convertible securities, warrants, options and derivatives of the Company during the period beginning six months prior to the offer period and ending with the Latest Practicable Date.

DEALINGS IN SECURITIES

- (a) Neither the Company nor any of the Directors had any interest in the securities, convertible securities, warrants, options and derivatives of the Offeror as at the Latest Practicable Date nor had any of them dealt for value in such securities, convertible securities, warrants, options and derivatives of the Offeror during the period beginning six months prior to the offer period and ending with the Latest Practicable Date.
- (b) Save as disclosed below, no person had irrevocably committed, in respect of his/her/its own shareholding in the Company, to accept or to reject the Offer as at the Latest Practicable Date:
 - (i) Everyday Investments Limited and Million Hero Investments Limited, which respectively held 10,000,000 Shares and 10,000,000 Shares and each representing approximately 3.33% of the entire issued share capital of the Company as at the Latest Practicable Date, have irrevocably undertaken to the Offeror to accept the Offer and such undertakings will cease to be binding unless this composite offer and response document is dispatched to the Shareholders within 30 days after the date of the Joint Announcement or such later date as may be agreed between the parties thereto and by the SFC. Both Everyday Investments Limited and Million Hero Investments Limited have confirmed that there have been no dealings in the Shares by them during the period beginning six months prior to the offer period and ending with the Latest Practicable Date; and
 - (ii) each of the Investors, being Castleford Assets Limited, Treasure Winner Enterprises Limited and Wise Orient Limited, which respectively acquired from the Vendor on 2 August 2005, 19,000,000 Shares, 13,000,000 Shares and 13,000,000 Shares and each representing approximately 6.34%, 4.33% and 4.33% respectively of the entire issued share capital of the Company as at the Latest Practicable Date, has irrevocably undertaken to the Offeror, INCU and Hantec not to accept the Offer nor to dispose of the Shares they respectively held during the offer period and such undertakings will cease to be binding if the Offer shall lapse or be withdrawn. Save as disclosed above, each of the Investors has confirmed that there have been no other dealings in the Shares by each of them during the period beginning six months prior to the offer period and ending with the Latest Practicable Date.

- (c) None of the Directors had any interest in the securities, convertible securities, warrants, options and derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in such securities, convertible securities, warrants, options and derivatives during the period beginning six months prior to the offer period and ending with the Latest Practicable Date.
- (d) None of the Company's subsidiaries, pension fund of the Company or advisers to the Company as specified in class (2) of the definition of associates under the Takeovers Code but excluding exempt principal traders or any of the experts named under the section headed "Experts and consents" in this Appendix had any interest in the securities, convertible securities, warrants, options and derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in such securities, convertible securities, warrants, options and derivatives during the period beginning six months prior to the offer period and ending with the Latest Practicable Date.
- (e) As at the Latest Practicable Date, no shares, convertible securities, warrants, options and derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company. No fund managers connected with the Company had dealt for value in any securities, convertible securities, warrants, options and derivatives of the Company during the period beginning six months prior to the offer period and ending with the Latest Practicable Date.

MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange on the last day on which trading took place in each of the six calendar months immediately preceding 13 July 2005, being the date of the Joint Announcement, on 12 July 2005, being the Last Trading Day, and on the Latest Practicable Date:

	HK\$ per Share
31 January 2005	0.30
28 February 2005	0.29
31 March 2005	0.30
30 April 2005	0.30
31 May 2005	0.26
30 June 2005	0.195
12 July 2005	0.195
Latest Practicable Date	0.195

The highest and lowest closing prices of the Shares as quoted on GEM during the period between 13 January 2005, being the date six months preceding the date of the Joint Announcement, and the Latest Practicable Date are listed as below:

Periods with trading of Shares as quoted on GEM		
Highest closing price (HK\$)	HK\$0.3	from 13 January 2005 to 24 February 2005 and from 15 March 2005 to 23 May 2005
Lowest closing price (HK\$)	HK\$0.195	from 28 June 2005 to 2 August 2005

ARRANGEMENTS IN CONNECTION WITH THE OFFER

- (a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing whereby any securities to be acquired pursuant to the Offer will be transferred to any other persons.
- (b) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing between the Offeror or any Parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders which has connection with, is conditional on or dependent upon the outcome of the Offer.
- (c) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (i) the Company; (ii) any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code; (iii) the Offeror; or (iv) any Parties acting in concert with the Offeror.

ARRANGEMENTS AFFECTING DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.

There is no material contract entered into by the Offeror in which any Director has a material personal interest.

SERVICE CONTRACTS

Each of the executive Directors, namely Mr. Li Ting and Mr. Zhang Fulin, has entered into a service agreement with the Company for a term of two years commencing from 1 June 2004 and expiring on 31 May 2006 and will continue thereafter until terminated by three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to a salary of HK\$10,000 per month. Save as aforesaid, none of the executive Directors is entitled to any other remuneration.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, into any service contract with the Company or any of its subsidiaries or associated companies which has a term of more than twelve months nor has any Director entered into or amended any service contract with the Company or any of its subsidiaries or any of its associated companies within 6 months before the commencement of the offer period.

DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

None of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2005 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management Shareholders and their respective associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group pursuant to Rule 11.04 of the GEM Listing Rules.

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters and reports (as the case may be) are contained in this composite offer and response document:

Name	Qualifications
INCU	a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under SFO
Hantec	a licensed corporation permitted to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under SFO
Kingston	a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under SFO, which has been appointed by the Company as one of the joint independent financial advisers to the Independent Board Committee in respect of the Offer
TIS	a licensed corporation permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under SFO, which has been appointed by the Company as one of the joint independent financial advisers to the Independent Board Committee in respect of the Offer

Each of Hantec, INCU, Kingston and TIS has given and has not withdrawn their written consents to the issue of this composite offer and response document with the inclusion of their respective expert's statements and the references to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Hantec, INCU, Kingston and TIS was not interested beneficially or otherwise in any Shares or in any of the Company's subsidiaries or associated companies and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or shares in the Company or in any of the Company's subsidiaries or associated companies nor did they have any interest, either direct or indirect, in any assets which have been, since 31 March 2005 (the date to which the latest published audited accounts of the Group were

made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

MATERIAL CONTRACT(S)

No contract, not being a contract entered into in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by any member of the Group after the date two years before the commencement of the offer period and up to the Latest Practicable Date which is, or may be, material.

MISCELLANEOUS

- (a) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at Unit A, 15/F., Long To Building, 654 & 656 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.
- (d) The compliance officer of the Company is Mr. Li Ting. Mr. Li Ting is an executive Director and the chairman of the Company.
- (e) The company secretary and qualified accountant of the Company is Ms. Lui Mui Ching. Ms. Lui is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (f) The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong.
- (g) Details of the Directors are as follows:

Executive Directors

Li Ting, aged 39, was appointed as the chairman of the Group on 1st June, 2004. He is also an executive Director since 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 re-designated as an executive Director with effect from 1st June, 2003.

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

Independent non-executive Directors

Leung Wai Ling, Wylie, aged 38, 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 independent non-executive Director in June 2001.

Gui Gan, aged 38, holds a master degree of business administration in international management from American Graduate School of International Management. He has held various managerial positions in companies in the PRC and the US. He is currently a deputy general manager of an import/export company in the PRC. He was appointed as the independent non-executive Director on 16th September, 2003.

Guo Wen Hong, aged 36, holds a bachelor degree in Chinese history from Wuhan University in July 1989 and completed a course in business management in November 1997. She worked in various departments of a duty free company in Shenzhen during the period from April 1991 to September 2003 including personnel, training, and merchandise management department. She then worked in the advertisement department of a newspaper publication company in Shenzhen since September 2003. She is also an independent non-executive director and audit committee member of Vaso Digital International Holdings Limited since August 2004. She was appointed as the independent non-executive Director in September 2004.

- (h) The registered office of the Offeror is at the offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address in Hong Kong is Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The sole director and sole shareholder of the Offeror is Mr. Lau.
- (i) The registered office of Hantec is at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

- (j) The registered office of INCU is at Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.
- (k) The registered office of Kingston is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (l) The registered office of TIS is at Unit 1010, 10th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
- (m) The English texts of this composite offer and response document and the accompanying form of acceptance and transfer shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong of the Company at Unit A, 15/F., Long To Building, 654 & 656 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong from the date of this composite offer and response document up to and including the closing date of the Offer:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 22 of this composite offer and response document;
- (c) the letter of advice from Kingston and TIS to the Independent Board Committee, the text of which is set out on pages 23 to 38 of this composite offer and response document;
- (d) the letter from Hantec, the text of which is set out on pages 14 to 21 of this composite offer and response document;
- (e) the letters of consent referred to in the paragraph headed “Experts and consents” in this Appendix;
- (f) the annual reports of the Company for the two years ended 31 March 2005;
- (g) the irrevocable undertakings given by Everyday Investments Limited and Million Hero Investments Limited to accept the Offer in respect of their respective shareholdings in the Company;
- (h) the form of acceptance and transfer;
- (i) the Offeror’s Agreement; and
- (j) the service agreements referred to in the paragraph headed “Service contracts” in this Appendix.