



IA International Holdings Limited
毅興科技國際控股有限公司*
(incorporated in Bermuda with limited liability)

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FIRST QUARTERLY REPORT 2003

* For identification purposes only

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

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30th June, 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

	Note	Three months ended 30th June,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	37,956	14,750
Cost of sales		(34,469)	(11,816)
Gross profit		3,487	2,934
Other revenue		2	9
Distribution costs		(271)	(330)
Administrative expenses		(856)	(1,476)
Other operating expenses		(805)	(1,052)
Profit from operating activities		1,557	85
Finance costs		(20)	(67)
Profit before taxation		1,537	18
Taxation	3	(372)	(3)
Profit before minority interests		1,165	15
Minority interests		58	(2)
Net profit from ordinary activities attributable to shareholders		1,223	13
Dividends		Nil	Nil
Earnings per share			
– Basic (cent)	4	0.41	0.0043
– Diluted (cent)		N/A	N/A

Notes:

1. Basis of presentation

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2003.

All significant transactions and balances within the Group have been eliminated on consolidation.

2. Turnover

Turnover represents the net invoiced value of goods sold and services rendered, less discounts, returns, and applicable business taxes.

	Three months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of internet appliances and related products	37,437	13,807
Income from e-commerce platform and related services	519	943
	37,956	14,750

3. Taxation

Hong Kong profits tax for the three months ended 30th June, 2003 have been provided at 17.5% (three months ended 30th June, 2002: 16%) on the estimated assessable profits arising in Hong Kong during the periods. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred tax had not been provided for the Group because the Group had no significant timing differences at the balance sheet date (30th June, 2002: Nil).

4. Earnings per share

The calculation of basic earnings per share for the three months ended 30th June, 2003 is based on the unaudited net profit from ordinary activities attributable to shareholders of approximately HK\$1,223,000 (three months ended 30th June, 2002: approximately HK\$13,000) and the weighted average number of 300,000,000 ordinary shares (three months ended 30th June, 2002: 300,000,000 shares) of the Company.

Diluted earnings per share is not presented as there were no diluting events existed during the three months ended 30th June, 2003 and the corresponding period in 2002.

5. Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002	5,902	6,015	149	7,241	19,307
Net profit for the period	–	–	–	13	13
At 30th June, 2002	5,902	6,015	149	7,254	19,320
At 1st April, 2003	5,902	6,015	149	11,404	23,470
Net profit for the period	–	–	–	1,223	1,223
At 30th June, 2003	5,902	6,015	149	12,627	24,693

DIVIDENDS

The Board does not propose the payment of any dividends for the three months ended 30th June, 2003 (three months ended 30th June, 2002: Nil).

REVIEW AND PROSPECT

General

The Group is principally engaged in the research, development and provision of information-on-demand (“IOD”) system solutions and the provision of related products and services. An IOD system solution enables Internet users to obtain and process information via the internet.

With a view of becoming a total IOD system solution provider, the Group, based on the developed e-commerce platform, is working on the specific features for the targeted application environment, the e-education segment, and is also improving its capabilities to supply internet appliances and strengthening its research and development capabilities.

Financial review

For the three months ended 30th June, 2003, the Group recorded a turnover of approximately HK\$37,956,000 which increased by approximately 157% compared to the previous corresponding period. The increase in turnover was mainly due to the increase in sales of internet appliances and related products which was increased by approximately 171% as compared to previous corresponding period.

The gross profit margin decreased to approximately 9% from approximately 20% in the previous corresponding period. The significant decrease was mainly due to the decrease in the average price sold for internet appliances and related products.

During the period, the Group's net profit from ordinary activities attributable to shareholders increased to approximately HK\$1,223,000 from approximately HK\$13,000 in the previous corresponding period. In addition to the increase in turnover and gross profit, the increase in net profit was also attributable to the substantial decrease in the operating expenses of the Company. The decrease in operating expenses was mainly due to the decrease in overheads such as rental expenses and directors' remuneration as a result of cost control measures introduced by the Group.

Business review

Research and development

During the three months ended 30th June, 2003, the Group's principal research and development activities were as follows:

- Developing a cost down version of iDVD for the rolling out of the prototype of the IOD system solution.
- Continued to develop specifications for the iDVDs and the internet functions for the auto iDVDs.

- Continued to develop specifications for the multiple disc functions of iDVDs. Owing to some technical issues, the development has been delayed and is expected to be completed in late 2003.
- Continued to perform programming work on the interface between the e-commerce platform (education application) to internet appliances. The work is expected to be completed by the third quarter of 2003.
- Performed technical analysis for the interface between payment and security.

The Group has suspended the development of e-entertainment application as it was not commercially viable due to the high costs of royalties proposed by the entertainment content providers. The Directors do not expect the suspension will have material impact on the Group's operations.

Sales, marketing and business development

During the three months ended 30th June, 2003, the Group continued to promote the internet appliances and related products to existing and new distributors and business partners. The promotion has led to the growth in the sale of internet appliances and related products.

In addition, the Group approached governmental agencies in the PRC to promote the application of internet platform. On the e-education application, the Group continued to negotiate with an English and a Japanese language institutions and a professional association with regards to using the Group's IOD system for the provision of contents. The Group expects to complete the negotiation by the third quarter of 2003.

During the same period, the Group continued to provide technical support for the operation of e-Tax platform.

The Group has postponed forming alliances with logistics service providers in order to better allocate its human resources and minimizing operating costs.

No promotion was carried out for the e-entertainment application due to the Group's decision to suspend on the grounds of commercial viability.

Prospects

The Group is cautiously optimistic about its future prospects. The key factors will be the speed of recovery in the global economy. The Group will continue to explore new markets and develop new products as well as to control the operating costs in order to stay competitive.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June, 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

Director	Number of Shares				Total Interests
	Corporate Interests	Personal Interests	Family Interests	Other Interests	
Mr. Cheng Kwong Chung (Note)	225,000,000	–	–	–	225,000,000

Note:

These shares are registered in the name of Internet Appliances (Holdings) Limited. The issued share capital of Internet Appliances (Holdings) Limited is beneficially owned by Global Plus Ltd., Team Concept Limited, Perfect Chance Limited and IT Motion Corp. in the proportion of approximately 35%, 25%, 25% and 15% respectively. Global Plus Ltd. is wholly and beneficially owned by Mr. Cheng Kwong Chung.

Save as disclosed above, as at 30th June, 2003, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the

Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the interests and short positions of persons, other than a director or chief executive of the Company, in the shares and 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, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Number of shares held	Approximate percentage or attributable percentage of the shareholding in the Company
Internet Appliances (Holdings) Limited (<i>Note</i>)	225,000,000	75.00%
Global Plus Ltd. (<i>Note</i>)	225,000,000	75.00%

Note:

These shares are registered in the name of Internet Appliances (Holdings) Limited. The issued share capital of Internet Appliances (Holdings) Limited is beneficially owned by Global Plus Ltd., Team Concept Limited, Perfect Chance Limited and IT Motion Corp. in the proportion of approximately 35%, 25%, 25% and 15% respectively. Global Plus Ltd. is wholly and beneficially owned by Mr. Cheng Kwong Chung.

Save as disclosed above, as at 30th June, 2003, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an 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, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme under which share options to subscribe for the shares of the Company may be granted under the terms and conditions stipulated therein. As at 30th June, 2003, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in securities" above, at no time since the incorporation of the Company was the Company or any of its subsidiaries a party to any arrangements to enable the directors and/or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate and none of the directors nor chief executive of the Company or their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company, or had exercised any such rights.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the three months ended 30th June, 2003, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group.

INTEREST OF SPONSOR

According to a sponsorship agreement between the Company and DBS Asia Capital Limited (the "Sponsor"), the Sponsor received, and will receive, a fee for acting as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period up to 31st March, 2004.

As notified by the Sponsor, as at 30th June, 2003, neither the Sponsor nor any of its directors or employees or associates, had any interests in the securities of the Company or any member of the Group, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

During the three months ended 30th June, 2003, the Company has complied with the Board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company set up an audit committee on 18th October, 2001 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive Directors, namely, Ms. Leung Wai Ling, Wylie and Mr. Chung Tung Sau. The Group's unaudited results for the three months ended 30th June, 2003 have been reviewed by the audit committee who was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made.

By order of the Board
IA International Holdings Limited
Chiu Ting San
Chairman

Hong Kong, 8th August, 2003