



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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THIRD 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 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.

The Stock Exchange 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 howsoever 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 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 and nine months ended 31st December, 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	Note	Nine months ended 31st December,		Three months ended 31st December,	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover	2	69,921	54,847	15,817	16,777
Cost of sales		(61,569)	(44,582)	(13,234)	(13,883)
Gross profit		8,352	10,265	2,583	2,894
Other revenue		246	384	244	366
Distribution costs		(845)	(648)	(286)	(117)
Administrative expenses		(2,792)	(3,853)	(1,202)	(1,139)
Other operating expenses		(2,565)	(2,775)	(1,013)	(996)
Profit from operating activities		2,396	3,373	326	1,008
Finance costs		(22)	(332)	0	(139)
Profit before taxation		2,374	3,041	326	869
Taxation	3	(437)	(333)	88	(87)
Profit before minority interests		1,937	2,708	414	782
Minority interests		(8)	(1)	(98)	67
Net profit from ordinary activities attributable to shareholders		1,929	2,707	316	849
Earnings per share	4				
– Basic (cents)		0.64	0.90	0.11	0.28
– Diluted (cents)		N/A	N/A	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, except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January, 2003.

The adoption of SSAP 12 (revised) has had no material impact on the results of the Group for the current or prior accounting periods. No prior period adjustment is required.

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

2. Turnover

The Group's turnover represents the net invoiced value of goods sold and services rendered less discounts, returns and applicable business taxes.

	Nine months ended		Three months ended	
	31st December,		31st December,	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover				
Sales of internet appliances and related products	56,771	52,198	5,235	16,109
Income from e-commerce platform and related products and services	13,150	2,649	10,582	668
	69,921	54,847	15,817	16,777

3. Taxation

Hong Kong profits tax for the three months and nine months ended 31st December, 2003 have been provided at 17.5% (three months and nine months ended 31st December, 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 practice in respect thereof.

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet dates.

4. Earnings per share

The calculation of basic earnings per share for the three months and nine months ended 31st December, 2003 is based on the unaudited net profit from ordinary activities attributable to shareholders of approximately HK\$316,000 and HK\$1,929,000 respectively (three months and nine months ended 31st December, 2002: approximately HK\$849,000 and HK\$2,707,000 respectively) and 300,000,000 shares in issue (three months and nine months ended 31st December, 2002: 300,000,000 shares).

Diluted earnings per share is not presented as there were no diluting events existed during the three months and nine months ended 31st December, 2003 and the corresponding periods in 2002.

5. Reserves

	Share premium (unaudited) <i>HK\$'000</i>	Contributed surplus (unaudited) <i>HK\$'000</i>	Exchange fluctuation reserve (unaudited) <i>HK\$'000</i>	Retained earnings (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
At 1st April, 2002	5,902	6,015	149	7,241	19,307
Net profit for the period	–	–	–	1,859	1,859
At 30th September, 2002 and at 1st October, 2002	5,902	6,015	149	9,100	21,166
Net profit for the period	–	–	–	849	849
At 31st December, 2002	5,902	6,015	149	9,949	22,015
At 1st April, 2003	5,902	6,015	149	11,404	23,470
Net profit for the period	–	–	–	1,613	1,613
At 30th September, 2003 and at 1st October, 2003	5,902	6,015	149	13,017	25,083
Net profit for the period	–	–	–	316	316
At 31st December, 2003	5,902	6,015	149	13,333	25,399

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2003 (nine months ended 31st December, 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.

The Group, based on the developed e-commerce platform, is working on the specific features for the targeted e-education segment, and is also improving its capabilities to supply internet appliances and strengthening its research and development capabilities.

Financial review

For the nine months ended 31st December, 2003

The Group had achieved a growth of approximately 27% in its turnover for the nine months ended 31st December, 2003 to approximately HK\$69.9 million compared to the corresponding period in previous year. The increase was attributed to the increase in the sales of internet appliances and related products, which increased from approximately HK\$52 million in the nine months ended 31st December 2002 to approximately HK\$57 million in the current period, and income in relation to e-commerce platform and related products and services, which increased from approximately HK\$2.6 million in the nine months ended 31st December, 2002 to approximately HK\$13 million in the current period. The gross profit margin decreased to approximately 12% from 19% as compared to the corresponding period in previous year. The decrease in gross profit margin was mainly attributed to a decrease in the average price sold for internet appliances and related products due to intense competition.

The net profit from ordinary activities attributable to shareholders for the nine months ended 31st December, 2003 amounted to approximately HK\$1.9 million, representing a decrease of approximately 29% compared to the corresponding period in previous year. The decrease was mainly attributable to the decrease in gross profit margin. Administrative expenses decreased by approximately 28% from corresponding period in previous year to approximately HK\$2.8 million due to the decrease in directors' remuneration.

Business review

On the total IOD system progress, the Group is in the process of doing a trial run for its e-education application to be operated on the Group's e-commerce platform and expects to be completed during the first quarter of 2004. The Group plans to use the e-education application on courses such as languages and business courses. Negotiations with customers are taking place and the Group hopes to generate income during the first quarter of 2004.

The Group continued to approach various governmental bodies in the People's Republic of China (the "PRC") and potential customers both in the PRC and Hong Kong to promote the Group's e-commerce and e-tax platforms and internet and related appliances. Hopefully, with the rolling out of the Group's IOD system for the targeted e-education segment which is expected in March 2004, the Group's development capabilities would be further recognized.

The Group also continued its research and development capabilities in various internet and related appliances and e-commerce platforms and other software applications.

Prospects

The Group is cautiously optimistic about the prospects of the first half of the year 2004 due to the bird flu outbreak in various countries in Asia and the PRC. Key factor will be the ability to control the bird flu outbreaks.

However, the Group will continue to explore new markets, develop new products and expand products range as well as to control operating costs to stay competitive.

The Group will also continue to explore investment opportunities in the areas relating to the Group's existing operations so as to optimise the shareholders' interests.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st December, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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%
Global Plus Ltd. <i>(Note)</i>	225,000,000	75%

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.

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 31st December, 2003, no share option was granted under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in securities" above, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the directors and 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, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

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

During the nine months ended 31st December, 2003, there were no purchases, sales or redemptions of the Company's listed securities 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 an 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"), for a fee, the Sponsor acts 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 31st December, 2003, neither the Sponsor nor 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 nine months ended 31st December, 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 established an audit committee with written terms of reference in compliance with the requirements set out in Rules 5.23 and 5.24 of 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. Gui Gan. The Group's unaudited results for the nine months ended 31st December, 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
Cheng Kwong Chung
Director

Hong Kong, 6th February, 2004