



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



0010100010101110

**2004 / 2005**

**FIRST QUARTERLY REPORT**

\* 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 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 (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.*

*As at the date of this report, the board of directors of the Company comprises two executive Directors, namely Mr. Li Ting and Mr. Zhang Fulin and two independent non-executive Directors, namely Ms. Leung Wai Ling, Wylie and Mr. Gui Gan.*

## 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, 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

	Note	Three months ended 30th June,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	13,239	37,956
Cost of sales		(11,270)	(34,469)
Gross profit		1,969	3,487
Other revenue		2	2
Distribution costs		(160)	(271)
Administrative expenses		(907)	(856)
Other operating expenses		(579)	(805)
Profit from operating activities		325	1,557
Finance costs		–	(20)
Profit before taxation		325	1,537
Taxation	3	(204)	(372)
Profit before minority interests		121	1,165
Minority interests		65	58
Net profit from ordinary activities attributable to shareholders		186	1,223
Dividends		–	–
Earnings per share			
– Basic (cent)	4	0.06	0.41
– 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, 2004.

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

### 2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable and services rendered.

	Three months ended 30th June,	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover		
Sales of internet appliances and related products	12,821	37,437
Income from e-commerce platform and related services	418	519
	<b>13,239</b>	<b>37,956</b>

### 3. Taxation

Hong Kong profits tax for the three months ended 30th June, 2004 have been provided at 17.5% (three months ended 30th June, 2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the periods. 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, 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, 2003: Nil).

#### 4. Earnings per share

The calculation of basic earnings per share for the three months ended 30th June, 2004 is based on the unaudited net profit from ordinary activities attributable to shareholders of approximately HK\$186,000 (three months ended 30th June, 2003: approximately HK\$1,223,000) and the weighted average number of 300,000,000 (three months ended 30th June, 2003: 300,000,000) ordinary 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, 2004 and the corresponding period in 2003.

#### 5. Reserves

	Share premium (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Exchange fluctuation reserve (Unaudited) <i>HK\$'000</i>	Capital reserve (Unaudited) <i>HK\$'000</i>	Retained earnings (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
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
At 1st April, 2004	5,902	6,015	189	1,200	12,936	26,242
Net profit for the period	–	–	–	–	186	186
At 30th June, 2004	5,902	6,015	189	1,200	13,122	26,428

## DIVIDENDS

The Board does not propose the payment of any dividends for the three months ended 30th June, 2004 (three months ended 30th June, 2003: 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 is finalising 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 three months ended 30th June, 2004, the Group recorded a turnover of approximately HK\$13,239,000 which decreased by approximately 65% compared to the previous corresponding period. Sales of internet appliances and related products and income from e-commerce platform and related services decreased by approximately 66% and 19% respectively compared to previous corresponding period. A large order for internet appliances were secured in the three months ended 30th June, 2003, hence higher level of sales were recorded in the previous corresponding period.

The gross profit margin increased from approximately 9% in the previous corresponding period to approximately 15% in current period. The increase was due to the decrease in the average costs for internet appliances and related products.

During the period, net profit from ordinary activities attributable to shareholders decreased by 85% to approximately HK\$186,000 from approximately HK\$1,223,000 in the previous corresponding period due mainly to the decrease in turnover.

**Operation review**

On the total IOD system progress, problems were encountered in the final stage of the development work and the Group expects the completion to be before the end of this calendar year. The IOD system would first be used for business courses.

The Group continued to develop various system and management software, e-commerce and e-tax platforms for various governmental bodies and commercial organizations both in the People's Republic of China (the "PRC") and in Hong Kong during the period under review. The Group continued to strengthen and improve its research and development capabilities by actively developing new products during the period under review.

The Group also continued to promote its various internet and related appliances, e-commerce and e-tax platforms, system and management software either directly by making presentations and meetings with customers or through joint marketing with business partners in the PRC and in Hong Kong.

**Prospects**

There are signs that the global economy continues to improve and the Group is cautiously optimistic about the prospects for the remaining of this calendar year owing to the expected upward trends in interest rate in the United States.

The Group will continue to explore new markets and develop new products as well as control costs to stay competitive.

The Group will also continue to explore partners in marketing and promoting the Group's products and services in securing more customers and widening its customers base. The Group will continue to take conservative and cautious steps in seeking viable business opportunities and will keep abreast of any business or investment opportunities so as to optimize shareholder's interests.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30th June, 2004, 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 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 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 Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30th June, 2004, 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.



Save as disclosed above, as at 30th June, 2004, 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 in 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, 2004, 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 shares" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the director, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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

During the three months ended 30th June, 2004, 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.

## **COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES**

During the three months ended 30th June, 2004, the Company has complied with the Board practices and procedures as set out in Rules 5.34 to 5.45 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 of the Group. The audit committee comprises two independent non-executive Directors of the Company, namely, Ms. Leung Wai Ling, Wylie and Mr. Gui Gan. The Group's unaudited results for the three months ended 30th June, 2004 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**

**Li Ting**  
*Chairman*

Hong Kong, 5th August, 2004