



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

INTERIM 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 of the Stock Exchange 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 full 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 three independent non-executive Directors, namely Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong.

FINANCIAL RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months and three months ended 30th September, 2004 together with the comparative unaudited figures for the corresponding periods in 2003 respectively as follows:

	Notes	Six months ended 30th September,		Three months ended 30th September,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	25,088	54,104	11,849	16,148
Cost of sales		(22,078)	(48,335)	(10,808)	(13,866)
Gross profit		3,010	5,769	1,041	2,282
Other revenue		2	3	–	–
Distribution costs		(328)	(559)	(170)	(288)
Administrative expenses		(1,741)	(1,590)	(834)	(734)
Other operating expenses		(1,062)	(1,553)	(483)	(748)
(Loss)/profit from operating activities		(119)	2,070	(446)	512
Finance costs		–	(22)	–	(2)
(Loss)/profit before taxation	3	(119)	2,048	(446)	510
Taxation	4	(117)	(524)	88	(152)
(Loss)/profit before minority interests		(236)	1,524	(358)	358
Minority interests		107	89	43	31
Net (loss)/profit from ordinary activities attributable to shareholders		(129)	1,613	(315)	389
(Loss)/earnings per share	5				
– Basic (cent)		(0.04)	0.54	(0.11)	0.13
– Diluted (cent)		N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		16,434	9,199
Other investments		10,800	10,800
		27,234	19,999
CURRENT ASSETS			
Accounts receivable	6	19,253	23,268
Prepayments, deposits and other receivables		3,977	1,909
Cash and bank balances		5,251	9,256
		28,481	34,433
CURRENT LIABILITIES			
Accounts payable	7	10,237	4,969
Accrued expenses and other payables		1,554	4,051
Taxes payable		793	2,045
		12,584	11,065
NET CURRENT ASSETS		15,897	23,368
TOTAL ASSETS LESS CURRENT LIABILITIES		43,131	43,367
MINORITY INTERESTS		(2,018)	(2,125)
		41,113	41,242
CAPITAL AND RESERVES			
Issued capital		15,000	15,000
Reserves		26,113	26,242
		41,113	41,242

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2003	15,000	5,902	6,015	149	–	11,404	38,470
Net profit for the period	–	–	–	–	–	1,613	1,613
At 30th September, 2003	15,000	5,902	6,015	149	–	13,017	40,083
At 1st April, 2004	15,000	5,902	6,015	189	1,200	12,936	41,242
Net loss for the period	–	–	–	–	–	(129)	(129)
At 30th September, 2004	15,000	5,902	6,015	189	1,200	12,807	41,113

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September, 2004 (Unaudited) HK\$'000	Six months ended 30th September, 2003 (Unaudited) HK\$'000
Net cash inflow from/(used in) operating activities	7,420	(6,953)
Net cash (outflow)/inflow from investing activities	(11,425)	7,356
Net cash flow from financing activities	-	-
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,005)	403
Cash and cash equivalents AT BEGINNING OF PERIOD	9,256	7,044
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,251	7,447
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,251	7,447

Notes:

1. Basis of presentation

The interim financial statements have been prepared under historical cost convention and in accordance with accounting principles generally accepted in Hong Kong, Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

2. Turnover and segment information

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

An analysis of the Group's turnover and segment results by business and geographical segment is as follows:

(a) *Business segments*

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Six months ended 30th September,					
	Internet appliances and related products		E-commerce platform and related services		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	23,858	51,536	1,230	2,568	25,088	54,104
Segment results	2,601	5,025	(657)	(809)	1,944	4,216
Other revenue					2	3
Net unallocated expenses					(2,065)	(2,149)
(Loss)/profit from operating activities					(119)	2,070
Finance costs					-	(22)
(Loss)/profit before taxation					(119)	2,048
Taxation					(117)	(524)
(Loss)/profit before minority interests					(236)	1,524
Minority interests					107	89
Net (loss)/profit from ordinary activities attributable to shareholders					(129)	1,613

	As at 30th September,					
	Internet appliances and related products		E-commerce platform and related services		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Assets						
Segment assets	37,489	26,835	-	-	37,489	26,835
Unallocated assets					18,226	28,537
Total assets					55,715	55,372
Liabilities						
Segment liabilities	10,237	9,995	-	-	10,237	9,995
Unallocated liabilities					2,347	3,257
Total liabilities					12,584	13,252
Other segment information:						
Depreciation – unallocated					591	210
Capital expenditure – unallocated					8	26

(b) *Geographical segments*

No further information on the geographical segments of the Group is presented as the Group's turnover is wholly attributable to the People's Republic of China (the "PRC") (including Hong Kong).

3. **(Loss)/profit before taxation**

The Group's (loss)/profit before taxation is arrived at after charging the following:

	Six months ended 30th September,		Three months ended 30th September,	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Interest on overdrafts and bank loans	-	22	-
Depreciation of fixed assets	591	210	296	105

4. Taxation

Hong Kong profits tax for the three months and six months ended 30th September, 2004 have been provided at 17.5% (three months and six months ended 30th September, 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 practice in respect thereof.

Deferred tax had not been provided for the Group because the Group had no significant temporary timing differences at the balance sheet date (31st March, 2004: Nil).

5. (Loss)/earnings per share

The calculation of basic loss per share is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months and six months ended 30th September, 2004 of approximately HK\$315,000 and HK\$129,000, respectively, (three months and six months ended 30th September, 2003: net profit of approximately HK\$389,000 and HK\$1,613,000, respectively) and 300,000,000 shares in issue (three months and six months ended 30th September, 2003: 300,000,000 shares).

Diluted earnings per share is not presented as there were no diluting events existed during the three months and six months ended 30th September, 2004 and the corresponding periods in 2003.

6. Accounts receivable

The Group has a policy of allowing an average credit period of 31 – 90 days to its trade customers. The Group has strict control over its outstanding receivables to minimise credit risk and the overdue balance are reviewed regularly by senior management.

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

	As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
Within 30 days	–	5,745
31 to 60 days	75	6,194
61 to 90 days	11,066	11,329
Over 91 days	8,112	–
	19,253	23,268

7. Accounts payable

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

	As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
Within 30 days	10	4,867
31 to 60 days	–	–
61 to 90 days	10,047	102
Over 91 days	180	–
	10,237	4,969

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2004 (six months ended 30th September, 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

On the information-on-demand ("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 organisations both in the PRC and in Hong Kong during the period under review. The Group continued to improve and strengthen its research and development capabilities by actively researching and developing new products during the period under review.

The Group 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 Hong Kong.

FINANCIAL REVIEW

Results

For the six months ended 30th September, 2004

The Group recorded a decrease of approximately 54% in its turnover to approximately HK\$25.1 million for the six months ended 30th September, 2004 as compared to the corresponding period in previous year. This was attributable to the decrease in the sales of internet appliances and related products and service fee income from e-commerce platform and related services. A slight increase in gross profit margin was recorded from approximately 10.7% in the corresponding period in previous year to approximately 12.0% in the current period.

The net loss from ordinary activities attributable to shareholders for the six months ended 30th September, 2004 amounted to approximately HK\$129,000, compared with a net profit from ordinary activities attributable to shareholders for the corresponding period in previous year of approximately HK\$1,613,000. The loss was attributable to the decrease in the level of turnover and hence gross profit. Distribution costs and other operating expenses also decreased by approximately 41% and 32% respectively, as a result of the decrease in turnover. Administrative expenses increased by approximately 9% mainly due to the increase in the office expenses in the PRC.

For the three months ended 30th September, 2004

During the three months ended 30th September, 2004, the Group's turnover decreased by approximately 27% to approximately HK\$11.8 million as compared to the corresponding period in previous year. The decrease in turnover was attributable to the decrease in the quantity of internet appliances and related products sold compared to the corresponding period in previous year as less orders were placed by the customers. A decrease in gross profit margin was recorded from approximately 14.1% in the corresponding period in previous year to approximately 8.8% in the current period due to the increase in average costs for internet appliances and related products.

During the same period, the Group recorded a net loss from ordinary activities attributable to shareholders of approximately HK\$315,000 as compared to net profit of approximately HK\$389,000 in the corresponding period in previous year. The decrease was attributable to the decrease in turnover and gross profit margin.

Liquidity, financial resources and capital structure

As at 30th September, 2004, the Group had total assets of approximately HK\$55.7 million (31st March, 2004: approximately HK\$54.4 million), including cash and cash equivalents of approximately HK\$5.3 million (31st March, 2004: approximately HK\$9.3 million).

During the six months ended 30th September, 2004, the Group financed its operations mainly with its own working capital. As at 30th September, 2004, there was no bank overdraft (31st March, 2004: Nil). There was no charge on the Group's assets between 31st March, 2004 and 30th September, 2004.

As at 30th September, 2004, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (31st March, 2004: zero) and the Group had no borrowings stated at fixed interest rates (31st March, 2004: Nil).

Most of the transactions of the Group are denominated in US Dollars, Hong Kong Dollars and Renminbi. As the exchange rate of US Dollars and Renminbi to Hong Kong Dollars are fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

The shares of the Company were listed on GEM on 1st November, 2001. There has been no change in the capital structure of the Company since that date.

Segment information

The revenue of the Group comprises mainly sales of internet appliances and related products and service fees for the provision of the development of e-commerce platform and related services.

Revenue from the sales of internet appliances and related products decreased by approximately 54% to approximately HK\$23.9 million from approximately HK\$51.5 million in the corresponding period in previous year and that from the provision of the development of e-commerce platform and related services also decreased by approximately 52% to approximately HK\$1.2 million from approximately HK\$2.6 million in the corresponding period in previous year.

As to the geographical segments, the Group only sold to the PRC market (including Hong Kong) during the six months ended 30th September, 2004 and the corresponding period in previous year.

Please also refer to note 2 in the section headed “Financial Results” to this report for the details of business and geographical segments.

New products and services

During the six months ended 30th September, 2004, the Group continued to develop new products to increase its product range and strengthen its competitive position.

The Group also continued to receive services fee from the development of internet platforms and various software for governmental agencies and/or commercial companies in the PRC and Hong Kong during the six months ended 30th September, 2004.

Significant investments

As at 30th September, 2004 and 31st March, 2004, other than the investment in the listed securities of a company listed in Hong Kong, the Group did not have any other significant investments.

Material acquisitions or disposal of subsidiaries and affiliated companies

There were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 30th September, 2004.

Future plans for material investments and expected source of funding

As at 30th September, 2004, the Group did not have any plan for material investment or acquisition of material capital assets. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Company provided guarantees for the bank facilities granted to a wholly-owned subsidiary. Approximately HK\$9.96 million was utilised as at 30th September, 2004 (31st March 2004: Nil).

The Group had no other material contingent liabilities (31st March, 2004: Nil).

Employees and remuneration policies

As at 30th September, 2004, the Group had 39 (31st March, 2004: 42) employees including directors. Total staff-costs (excluding directors' emoluments) amounted to approximately HK\$1.4 million for the six months ended 30th September, 2004. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. To date, no share options have been granted to employees.

Prospects

The Group is cautiously optimistic about the prospects of the Group for the remaining of the financial year owing to the expected upward trends in interest rates in the United States and the PRC, and the measures by the Government of the PRC to cool the economy of the PRC. Nevertheless, the Group will continue to strengthen its research and development capabilities, explore new markets and develop new products and control its 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 SHARES

As at 30th September, 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 September, 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 September, 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 September, 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 six months ended 30th September, 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) had an 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 six months ended 30th September, 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 system of the Group. Pursuant to the appointment of Ms. Guo Wen Hong as an audit committee member on 30th September, 2004, the audit committee now comprises three independent non-executive Directors, namely, Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong. The Group's unaudited results for the six months ended 30th September, 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, 4th November, 2004