



**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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**2004 / 2005**

**THIRD 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 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 of the Company, 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, 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

	Note	Nine months ended 31st December,		Three months ended 31st December,	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover	2	30,973	69,921	5,885	15,817
Cost of sales		(32,381)	(61,569)	(10,303)	(13,234)
Gross loss		(1,408)	8,352	(4,418)	2,583
Other revenue		21	246	18	244
Distribution costs		(481)	(845)	(152)	(286)
Administrative expenses		(8,734)	(2,792)	(6,996)	(1,202)
Other operating expenses		(1,644)	(2,565)	(578)	(1,013)
(Loss)/profit from operating activities		(12,246)	2,396	(12,126)	326
Finance costs		-	(22)	-	-
(Loss)/profit before taxation		(12,246)	2,374	(12,126)	326
Taxation	3	-	(437)	117	88
(Loss)/profit before minority interests		(12,246)	1,937	(12,009)	414
Minority interests		54	(8)	(54)	(98)
Net (loss)/profit from ordinary activities attributable to shareholders		(12,192)	1,929	(12,063)	316
(Losses)/earnings per share	4				
- Basic (cents)		(4.06)	0.64	(4.02)	0.11
- Diluted (cents)		N/A	N/A	N/A	N/A

Notes:

### 1. Basis of presentation

The unaudited consolidated results 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 Institute of Certified Public 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

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 31st December,		Three months ended 31st December,	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover				
Sales of internet appliances and related products	28,406	56,771	4,548	5,235
Income from e-commerce platform and related products and services	2,567	13,150	1,337	10,582
	<b>30,973</b>	<b>69,921</b>	<b>5,885</b>	<b>15,817</b>

### 3. Taxation

No Hong Kong profits tax for the three months and nine months ended 31st December, 2004 has been provided as the group has no assessable profit for the periods. Hong Kong profits tax for the three months and nine months ended 31st December, 2003 were provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the periods. Taxes on profits assessable overseas were calculated at the rates of tax prevailing in the countries in which the Group operated, based on existing legislation, interpretations and practice in respect thereof.

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

#### 4. (Losses)/earnings per share

The calculation of basic (losses)/earnings per share for the three months and nine months ended 31st December, 2004 is based on the unaudited consolidated net loss from ordinary activities attributable to shareholders of approximately HK\$12,063,000 and HK\$12,192,000 respectively (three months and nine months ended 31st December, 2003: unaudited consolidated net profit from ordinary activities attributable to shareholders of approximately HK\$316,000 and HK\$1,929,000 respectively) and 300,000,000 shares in issue (three months and nine months ended 31st December, 2003: 300,000,000 shares).

Diluted (losses)/earnings per share is not presented as there were no diluting events existed during the three months and nine months ended 31st December, 2004 and the corresponding periods in 2003.

#### 5. Reserves

	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Total (unaudited) HK\$'000
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
At 1st April, 2004	5,902	6,015	189	1,200	12,936	26,242
Net loss for the period	–	–	–	–	(129)	(129)
At 30th September, 2004 and at 1st October, 2004	5,902	6,015	189	1,200	12,807	26,113
Net loss for the period	–	–	–	–	(12,063)	(12,063)
At 31st December, 2004	5,902	6,015	189	1,200	744	14,050

## **DIVIDEND**

The Board does not propose the payment of any dividends for the nine months ended 31st December, 2004 (nine months ended 31st December, 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.

### **Financial review**

The Group’s turnover decreased by approximately 56%, from approximately HK\$70 million for the nine months ended 31st December, 2003 to approximately HK\$31 million for the nine months ended 31st December, 2004, as compared to the corresponding period in previous year. The decrease was attributed to the decrease in sales of internet appliances and related products, which decreased from approximately HK\$57 million in the nine months ended 31st December 2003 to approximately HK\$28 million in the current period, and income in relation to e-commerce platform and related products and services, which decreased from approximately HK\$13 million in the nine months ended 31st December, 2003 to approximately HK\$3 million in the current period.

The Group recorded gross loss in the three months ended 31st December 2004 of approximately HK\$4 million. Gross Profit margin of approximately 16% was recorded in the corresponding period in previous year. The gross loss was mainly attributable to sales discounts given to customers for internet appliances and related products due to intense competition and quality problems.

Net loss from ordinary activities attributable to shareholders of approximately HK\$12 million was recorded for the three months and nine months ended 31st December, 2004, compared to net profit from ordinary activities attributable to shareholders of approximately HK\$316,000 and HK\$2 million respectively in the corresponding periods in previous year. The decrease was mainly attributable to the gross loss recorded in the three months ended 31st December, 2004 due to sales discounts given to customers for internet appliances and related products

owing to intense competition and quality problems and the increase in administrative expenses. Administrative expenses increased to approximately HK\$9 million in the nine months ended 31st December, 2004 from approximately HK\$3 million in the corresponding period in previous year. The increase was mainly attributable to a deficit in revaluation of an investment in a company listed in Hong Kong of approximately HK\$5 million and a loss on disposal of fixed assets of approximately HK\$1 million during the three months ended 31st December, 2004.

### **Operation review**

The Group recorded weak results in the three months ended 31st December, 2004 as sales discounts were given to customers for internet appliances and related products due to intense competition and quality problems. To remedy the weakness, the Group has started to look for other opportunities to diversify its revenue base and to improve its quality control.

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 the first quarter 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

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 intense competition in the business of internet appliances and related products. 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. At the same time, the Group will also look for other opportunities to diversify its revenue base and to improve its quality control.

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 31st December, 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 31st December, 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 31st December, 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 31st December, 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 nine months ended 31st December, 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 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 nine months ended 31st December, 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. The audit committee 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 nine months ended 31st December, 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, 14th February, 2005

*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.*