



**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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**2005 / 2006**

**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 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 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.**

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*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.*

## 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, 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

	<i>Notes</i>	<b>Three months ended 30th June,</b>	
		<b>2005 (Unaudited) HK\$'000</b>	<b>2004 (Unaudited) HK\$'000</b>
Turnover	2	10,346	13,239
Cost of sales		(9,027)	(11,270)
Gross profit		1,319	1,969
Other revenue		–	2
Distribution costs		(54)	(160)
Administrative expenses		(859)	(907)
Other operating expenses		(466)	(579)
(Loss)/profit from operating activities		(60)	325
Finance costs		(242)	–
(Loss)/profit before taxation		(302)	325
Taxation	3	–	(204)
(Loss)/profit before minority interests		(302)	121
Minority interests		2	65
Net (loss)/profit from ordinary activities attributable to shareholders		(300)	186
Dividends		–	–
(Loss)/earnings per share			
– Basic (cent)	4	(0.10)	0.06
– 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 Institute of Certified Public Accountants (the "HKICPA"). The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2005.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has adopted the new HKFRSs in the preparation of accounts for the period from 1st April, 2005 onwards. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

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,	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover		
Sales of internet appliances and related products	9,400	12,821
Income from e-commerce platform and related services	946	418
	<b>10,346</b>	<b>13,239</b>

### 3. Taxation

No provision for taxation has been made (three months ended 30th June, 2004: 17.5%) as the Group has an estimated loss for Hong Kong profits tax purposes in the current period. 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 temporary differences at the balance sheet date (three months ended 30th June, 2004: Nil).

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

The calculation of basic (loss)/earnings per share for the three months ended 30th June, 2005 is based on the unaudited net loss from ordinary activities attributable to shareholders of approximately HK\$300,000 (three months ended 30th June, 2004: unaudited net profit of approximately HK\$186,000) and the weighted average number of 300,000,000 (three months ended 30th June, 2004: 300,000,000) ordinary shares of the Company.

Diluted (loss)/earnings per share is not presented as there were no diluting events existed during the three months ended 30th June, 2005 and the corresponding period in 2004.

#### 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/ (accumulated loss) (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
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
At 1st April, 2005	5,902	6,015	108	–	(10,207)	1,818
Net loss for the period	–	–	–	–	(300)	(300)
At 30th June, 2005	5,902	6,015	108	–	(10,507)	1,518

## DIVIDENDS

The Board does not propose the payment of any dividends for the three months ended 30th June, 2005 (three months ended 30th June, 2004: 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

For the three months ended 30th June, 2005, the Group recorded a turnover of approximately HK\$10,346,000 which decreased by approximately 22% compared to the previous corresponding period. Sales of internet appliances and related products decreased by approximately 27% compared to previous corresponding period. However, income from the development of e-commerce platform and related services increased by approximately 126% compared to previous corresponding period. The decrease in sales of internet appliances and related products was due to decrease in orders from existing customers because of intense competition compared to the previous corresponding period. The increase of income from the development of e-commerce platform and related services was due to the increase in service fee from the development of various internet platforms in the People’s Republic of China (the “PRC”) compared to the previous corresponding period.

The gross profit margin decreased from approximately 15% in the previous corresponding period to approximately 13% in the current period. The decrease was due to the decrease in the average selling price for internet appliances and related products.

During the period, the Group has net loss from ordinary activities attributable to shareholders of approximately HK\$300,000 compared to net profit from ordinary activities attributable to shareholders of approximately HK\$186,000 in the previous corresponding period due mainly to the decrease in turnover and gross profit margin. The Group had implemented various cost control measures in the current period. Selling and distribution costs, administrative expenses and other operating expenses decreased by approximately 66%, 5% and 20% respectively compared to the previous corresponding period.

## Operation review

During the period under review, sales of internet appliances and related products decreased by approximately 27% compared to previous corresponding period due to intense competition in existing market. In addition, the market response for the development of IOD system for e-education segment was less desirable than the Group's expectation. As a result, the Board reviewed the Group's position and decided to take conservative and cautious steps to seek more viable business opportunities to improve the Group's profitability. The Group will undergo some business restructuring and may diversify its products mix to aim to seek more stable revenue sources. Cost and quality controls are also areas that the Group will commit itself to.

## 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 electronics business. Going forward, the Group will look for other opportunities to diversify its revenue base, explore new markets and develop new products. The Group will also continue to explore investment opportunities so as to optimize its shareholders' interest.

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

As at 30th June, 2005, 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 AND SHORT POSITIONS IN SHARES

As at 30th June, 2005, 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 of the shareholding in the Company
Internet Appliances (Holdings) Limited (Notes 1 and 3)	225,000,000	75%
Global Plus Ltd. (Notes 1 and 3)	225,000,000	75%
Cheng Kwong Chung (Notes 1 and 3)	225,000,000	75%
Grace Delta Limited (Note 2)	225,000,000	75%
Yang Pei Gen (Note 2)	225,000,000	75%
Lu JinMing (Note 2)	225,000,000	75%

### Notes:

- These 225,000,000 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., which is wholly owned by Mr. Cheng Kwong Chung, Team Concept Limited, which is wholly owned by Mr. Chiu Ting San, Perfect Chance Limited, which is wholly owned by Mr. Wong Ping Wing and IT Motion Corp., which is wholly owned by Ms. Wang Lee Lee, in the proportion of 35%, 25%, 25% and 15% respectively. Under the SFO, each of Internet Appliances (Holdings) Limited, Global Plus Ltd. and Mr. Cheng Kwong Chung is deemed to be interested in these 225,000,000 shares.



2. On 11th May, 2005, 225,000,000 shares held by Internet Appliances (Holdings) Limited were pledged in favour of Grace Delta Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Yang Pei Gen, who accordingly, had a security interest in these 225,000,000 shares. Ms. Lu JinMing is the spouse of Mr. Yang Pei Gen. Under the SFO, each of Grace Delta Limited, Mr. Yang Pei Gen and Ms. Lu JinMing is deemed to be interested in these 225,000,000 shares.
3. By virtue of the pledge of shares as mentioned above, each of Internet Appliances (Holdings) Limited, Global Plus Ltd. and Mr. Cheng Kwong Chung is deemed to have a short position in these 225,000,000 shares.

Save as disclosed above, as at 30th June, 2005, 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, 2005, 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, 2005, 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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is in the process of reviewing its corporate governance practices and will report in its half-year financial announcement on the compliance of the Code on Corporate Governance Practices as set out in Appendix 15 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 three independent non-executive Directors of the Company, namely, Ms. Leung Wai Ling, Wylie, Mr. Gui Gan and Ms. Guo Wen Hong. The Group's unaudited results for the three months ended 30th June, 2005 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, 12th August, 2005

*As at the date of this report, the Board 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.*