



Third Quarterly Report
2005 / 2006



IA International Holdings Limited

毅興科技國際控股有限公司*

(incorporated in Bermuda with limited liability)

* 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 (collectively referred to as the "Group") for the three months and nine months ended 31st December, 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

		Nine months ended 31st December,		Three months ended 31st December,	
	Note	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Turnover	2	19,771	30,973	4,021	5,885
Cost of sales		(17,777)	(32,381)	(3,663)	(10,303)
Gross profit/(loss)		1,994	(1,408)	358	(4,418)
Other revenue		2	21	-	18
Distribution costs		(54)	(481)	-	(152)
Administrative expenses		(2,302)	(8,734)	(563)	(6,996)
Other operating expenses		(466)	(1,644)	-	(578)
Loss from operating activities		(826)	(12,246)	(205)	(12,126)
Provision for impairment loss of other investments		(657)	-	-	-
Finance costs		(339)	-	-	-
Loss before taxation		(1,822)	(12,246)	(205)	(12,126)
Taxation	3	268	-	(10)	117
Loss before minority interests		(1,554)	(12,246)	(215)	(12,009)
Minority interests		14	54	-	(54)
Net loss from ordinary activities attributable to shareholders		<u>(1,540)</u>	<u>(12,192)</u>	<u>(215)</u>	<u>(12,063)</u>
Loss per share	4				
- Basic (cents)		<u>(0.51)</u>	<u>(4.06)</u>	<u>(0.07)</u>	<u>(4.02)</u>
- Diluted (cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong, comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2005.

The HKICPA has 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

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,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Turnover				
Sales of internet appliances and related products	18,834	28,406	4,021	4,548
Income from e-commerce platform and related products and services	937	2,567	–	1,337
	<u>19,771</u>	<u>30,973</u>	<u>4,021</u>	<u>5,885</u>

3. Taxation

No provision for Hong Kong Profits Tax or taxation in other jurisdiction has been made (three months and nine months ended 31st December, 2004: Nil) as the Group has no assessable profit for tax purpose in the current periods.

The taxation represents over/(under) provision in previous periods.

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

4. Loss per share

The calculation of basic loss per share for the three months and nine months ended 31st December, 2005 is based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the three months and nine months ended 31st December, 2005 of approximately HK\$215,000 and HK\$1,540,000 respectively (three months and nine months ended 31st December, 2004: unaudited consolidated net loss of approximately HK\$12,063,000 and HK\$12,192,000 respectively) and 300,000,000 shares in issue (three months and nine months ended 31st December, 2004: 300,000,000 shares).

Diluted loss per share is not presented as there were no diluting events existed during the three months and nine months ended 31st December, 2005 and the corresponding periods in 2004.

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/ (accumulated losses) (unaudited) HK\$'000	Total (unaudited) HK\$'000
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	<u>5,902</u>	<u>6,015</u>	<u>189</u>	<u>1,200</u>	<u>744</u>	<u>14,050</u>
At 1st April, 2005	5,902	6,015	108	—	(10,207)	1,818
Net loss for the period	—	—	—	—	(1,325)	(1,325)
At 30th September, 2005 and at 1st October, 2005	5,902	6,015	108	—	(11,532)	493
Net loss for the period	—	—	—	—	(215)	(215)
At 31st December, 2005	<u>5,902</u>	<u>6,015</u>	<u>108</u>	<u>—</u>	<u>(11,747)</u>	<u>278</u>

DIVIDEND

The Board does not propose the payment of any dividends for the nine months ended 31st December, 2005 (nine months ended 31st December, 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

The Group's turnover decreased by approximately 35%, from approximately HK\$31 million for the nine months ended 31st December, 2004 to approximately HK\$20 million for the nine months ended 31st December, 2005, 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\$28 million in the nine months ended 31st December, 2004 to approximately HK\$19 million in the current period, and income in relation to e-commerce platform and related products and services, which decreased from approximately HK\$3 million in the nine months ended 31st December, 2004 to approximately HK\$1 million in the current period.

The Group recorded gross profit in the three months and nine months ended 31st December, 2005 of approximately HK\$358,000 and HK\$2 million respectively, while gross loss of approximately HK\$4 million and HK\$1 million respectively were recorded in the corresponding periods in previous year. Gross profit margin in the three months and nine months ended 31st December, 2005 were approximately 9% and 10% respectively. The improvement in gross profit and gross profit margin was mainly due to less sales discounts given compared to the corresponding periods in previous year as a result of better quality control over the Group's products.

Net loss from ordinary activities attributable to shareholders of approximately HK\$215,000 and HK\$1.5 million were recorded for the three months and nine months ended 31st December, 2005 respectively, compared to net loss from ordinary activities attributable to shareholders of approximately HK\$12 million in the corresponding periods in previous year. The improvement in financial performance was mainly attributable to the increase in gross profit and gross profit margin and the decrease in administrative expenses. Administrative expenses decreased to approximately HK\$2 million in the nine months ended 31st December, 2005 from approximately HK\$9 million in the corresponding period in previous year. The decrease was mainly due to the recognition of 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. Such impairment loss on investment and loss on disposal of fixed assets were not recorded in the current periods under review. Other operating expenses decreased by approximately 72% to approximately HK\$466,000 for the nine months ended 31st December, 2005 as compared to the corresponding period in previous year. The decrease was mainly due to the ceasing of its research and development operations in the People's Republic of China (the "PRC") as a result of cost cutting measures.

Operation review

During the nine months ended 31st December, 2005, the Group's financial performance improved compared to the corresponding period in previous year due to improvement in quality control and cost cutting measures. The Group introduced cost cutting measures which included downsizing its operations in Hong Kong and ceasing its research and development operations in the PRC.

On the total IOD system work, for cost control and technical reasons, the Group has postponed its development work. The Group is looking for suitable business partner who can jointly develop and promote the IOD system with the Group. As for other e-commerce and e-tax platforms developed by the Group, the Group is looking for suitable business partner to promote these products.

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 cautious of the prospects of the Group's existing products and services due to the competitive business environment as well as the high development and marketing costs for developing new products and services. In view of this, the Group will continue its strategy of minimizing its operational costs while looking for suitable business partners to develop and market new products and services.

The Group is continuing to look for new business opportunities to improve the Group's financial performance as well as to optimise the shareholders' returns.

DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in shares

As at 31st December, 2005, none of the directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (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 Rules 5.48 to 5.67 of the GEM Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

As at 31st December, 2005, the interests and short positions of persons, other than the directors or chief executives 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 in 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:

(i) *Substantial shareholders:*

Name	Nature of interest	Number of shares held	Approximate percentage or attributable percentage of shareholding in the Company
Starryland Profits Limited ("Starryland") (Note 1)	Beneficial owner	202,500,000	67.5%
Mr. Lau Kim Hung, Jack ("Mr. Lau") (Note 2)	Interest of a controlled corporation	202,500,000	67.5%
Ms. Chan Yiu Kan, Katie ("Mrs. Lau") (Note 2)	Interest of spouse	202,500,000	67.5%

Notes:

1. The issued share capital of Starryland is wholly and beneficially owned by Mr. Lau.
2. Under the SFO, Mr. Lau is deemed to be interested in the 202,500,000 shares of the Company (the "Shares") by virtue of his being the sole beneficial owner of Starryland and Mrs. Lau is deemed to be interested in the Shares by virtue of her being the spouse of Mr. Lau.

(ii) *Other persons who are required to disclose their interests:*

Name	Nature of interests	Number of shares held	Approximate percentage of issued share capital
Castleford Assets Limited ("Castleford") <i>(Note)</i>	Beneficial owner	19,000,000	6.34%

Note: Castleford, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Chan Siu Wing, Raymond ("Mr. Chan"). By virtue of the SFO, Mr. Chan is deemed to be interested in the 19,000,000 shares of the Company held by Castleford.

Save as disclosed above, as at 31st December, 2005, the directors or chief executives of the Company were not aware of any other person (other than the directors or chief executives 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, 2005, no share option was granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the section headed "Directors' and chief executives' 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.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang Fulin entered into a director's service contract with the Company, for an initial term of two years commencing from 1st June, 2004, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Wong Hou Yan, Norman, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu were appointed by letters of appointment as independent non-executive directors of the Company for an initial term of one year commencing from 16th August, 2005 which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Save as disclosed herein, none of the directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

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

During the nine months ended 31st December, 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) had an interest in a business which competes or may compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

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 four independent non-executive directors, namely, Mr. Wong Hou Yan, Norman, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. The Group's unaudited results for the nine months ended 31st December, 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
Wan Kin Chung
Chairman

Hong Kong, 13th February, 2006

As at the date of this report, the board of directors of the Company comprises two executive directors, namely Mr. Wan Kin Chung and Mr. Zhang Fulin and four independent non-executive directors, namely Mr. Wong Hou Yan, Norman, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu.