



**IA International Holdings Limited**

**毅興科技國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 8047)

**2006-2007  
FIRST QUARTERLY REPORT**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.*



## Highlights

For the three months ended 30th June, 2006

- the turnover of the Group was approximately HK\$28,070,000 as compared to the turnover of approximately HK\$10,346,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$521,000 (2005: loss HK\$300,000).
- the directors do not recommend the payment of any dividend (2005: nil).
- the earnings per share of the Company was approximately HK\$0.13 cents (2005: loss HK\$0.10 cents).

## 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, 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

### Unaudited Consolidated Income Statement

|   | Notes | Three months ended<br>30th June, |                                 |
|---|-------|----------------------------------|---------------------------------|
|   |       | 2006<br>(Unaudited)<br>HK\$'000  | 2005<br>(Unaudited)<br>HK\$'000 |
| Turnover                                | 3     | 28,070                           | 10,346                          |
| Cost of sales                           |       | <u>(21,767)</u>                  | <u>(9,027)</u>                  |
| Gross profit                            |       | 6,303                            | 1,319                           |
| Other revenue                           |       | 130                              | –                               |
| Distribution costs                      |       | (206)                            | (54)                            |
| Administrative expenses                 |       | (4,202)                          | (859)                           |
| Other operating expenses                |       | <u>–</u>                         | <u>(466)</u>                    |
| Profit/(Loss) from operating activities |       | 2,025                            | (60)                            |
| Finance costs                           |       | <u>(1,442)</u>                   | <u>(242)</u>                    |
| Profit/(Loss) before taxation           |       | 583                              | (302)                           |
| Taxation                                | 4     | <u>(62)</u>                      | <u>–</u>                        |
| Profit/(Loss) for the period            |       | <u>521</u>                       | <u>(302)</u>                    |
| Attributable to:                        |       |                                  |                                 |
| Equity holders of the Company           |       | 521                              | (300)                           |
| Minority interests                      |       | <u>–</u>                         | <u>(2)</u>                      |
| Dividends                               |       | <u>–</u>                         | <u>–</u>                        |
| Earnings/(loss) per share               |       |                                  |                                 |
| – Basic (cent)                          | 5     | <u>0.13</u>                      | <u>(0.10)</u>                   |
| – Diluted (cent)                        |       | <u>N/A</u>                       | <u>N/A</u>                      |



Notes:

## 1. General

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange.

The Group is principally engaged in the research, development, provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the trading and manufacturing of electronics devices and components and the provision of a full range of design and engineering services to high-end brand-named users in the industry.

## 2. Basis of presentation

The unaudited consolidated results have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit and loss, which have been measured at fair value and promissory notes which have been measured at amortised cost and in accordance with Hong Kong Financial Reporting Standard ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as the "New HKFRS") 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, 2006.

## 3. Turnover

Turnover represents the net invoiced value of goods sold, after sales discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

|  | <b>Three months ended</b> |                    |
|--|---------------------------|--------------------|
|  | <b>30th June,</b>         |                    |
|  | <b>2006</b>               | <b>2005</b>        |
|  | <b>(Unaudited)</b>        | <b>(Unaudited)</b> |
|  | <b>HK\$'000</b>           | <b>HK\$'000</b>    |
| Turnover   |                           |                    |
| Trading of internet appliances and related products            | 1,388                     | 9,400              |
| E-commerce platforms and related services                      | -                         | 946                |
| Trading and manufacturing of electronic devices and components | 25,075                    | -                  |
| Design and engineering services                                | 1,607                     | -                  |
|  | <u>28,070</u>             | <u>10,346</u>      |

## 4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: Nil) on the estimated profits arising in Hong Kong during the 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, interpretation 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 (2005: Nil).

## 5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months ended 30th June, 2006 is based on the unaudited net profit attributable to equity holders of the Company of approximately HK\$521,000 (2005: unaudited net loss of approximately HK\$300,000) and the weighted average number of 402,692,000 (2005: 300,000,000) ordinary shares of the Company.

Diluted earnings/(loss) per share is not presented as there were no diluting events existed during the three months ended 30th June, 2006 and the corresponding period in 2005.

## 6. Reserves

|                                   | Share premium<br>(Unaudited)<br>HK\$'000 | Contributed surplus<br>(Unaudited)<br>HK\$'000 | Exchange reserve<br>(Unaudited)<br>HK\$'000 | Convertible notes reserve<br>(Unaudited)<br>HK\$'000 | Retained profits/<br>(accumulated losses)<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 | Minority interests<br>(Unaudited)<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------|--|--|---|--|--|----------------------------------|---|-------------------|
| At 1st April, 2005                | 5,902                                    | 6,015  | 108   | -  | (10,207)   | 1,818                            | 1,999   | 3,817             |
| Net loss for the period           |  | -  | -   | -  | (300)  | (300)                            | (2)   | (302)             |
| At 30th June, 2005                | <u>5,902</u>                             | <u>6,015</u>                                   | <u>108</u>                                  | <u>-</u>   | <u>(10,507)</u>  | <u>1,518</u>                     | <u>1,997</u>                                  | <u>3,515</u>      |
| At 1st April, 2006                | 11,152                                   | 6,015  | 96  | 885  | (17,856)   | 292                              | 1,988   | 2,280             |
| Issue of Shares under the placing | 15,000                                   | -  | -   | -  | -  | 15,000                           | -   | 15,000            |
| Share issue expenses              | (811)                                    | -  | -   | -  | -  | (811)                            | -   | (811)             |
| Exercise of Share options         | 2,640                                    | -  | -   | -  | -  | 2,640                            | -   | 2,640             |
| Net profit for the period         | -  | -  | -   | -  | 521  | 521                              | -   | 521               |
| At 30th June, 2006                | <u>27,981</u>                            | <u>6,015</u>                                   | <u>96</u>                                   | <u>885</u>   | <u>(17,335)</u>  | <u>17,642</u>                    | <u>1,988</u>                                  | <u>19,630</u>     |

## 7. Dividends

The directors do not propose the payment of any dividends for the three months ended 30th June, 2006 (2005: Nil).



## REVIEW AND PROSPECT

### General

The Group is principally engaged in the research, development, provision of information-on-demand system solutions and the provision of related products and services as well as the trading and manufacturing of electronic devices and components and the provision of a full range of design and engineering services to high-end brand-named users in the industry.

### Financial review

For the three months ended 30th June, 2006, the Group recorded a turnover of approximately HK\$28,070,000 which increased by approximately 171.3% compared to the previous corresponding period. Sales of internet appliances and related products decreased by approximately 85.2% compared to previous corresponding period. There was no income recorded from the development of e-commerce platform and related service during the period because the Group was still looking for suitable business partner to promote these products. The decrease in sales of internet appliances and related products was due to decrease in orders from the existing customers resulting from intense competition compared to the previous corresponding period. The accounts of the Union Bridge Group were consolidated into the Group upon completion of the acquisition in March 2006. Turnover from the design and engineering services amounted to approximately HK\$1.6 million, contributing 5.7% of the Group's turnover, whereas turnover from the trading and manufacturing of electronic products amounted to approximately HK\$25.1 million, contributing 89.3% of the Group's turnover.

The gross profit margin increased from approximately 12.7% in the previous corresponding period to approximately 22.5% in the current period. The increase was due to the consolidation of the results of the Union Bridge Group which contributed high gross profit margin.

During the period, the Group has net profit attributable to equity holders of the Company of approximately HK\$521,000 as compared to net loss of approximately HK\$300,000 in the previous corresponding period. Selling and distribution costs and administrative expenses increased by approximately 281.5% and 389.2% respectively compared to the previous corresponding period as a result of the consolidation of the Union Bridge Group.

### Operation review

During the period under review, sales of internet appliances and related products decreased by approximately 85.2% compared to previous corresponding period due to intense competition in the existing market. However, the income from trading and manufacturing of electronic devices and components subsequent to the acquisition of the Union Bridge Group in March 2006 has provided a stable income source to the Group. The acquisition has provided cost and operation efficiency and other synergy to the Group, which was reflected in the improvement of the first quarter results. The Group will continue with its business restructuring by diversifying its products so as to provide more stable revenue sources and higher profitability to the Group. Moreover, the Group will commit itself in controlling costs and improving quality of the products.





## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2006, the interests and short position of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

### Long positions in shares of the Company

| <b>Director</b>       | <b>Nature of interest</b> | <b>Number of<br/>shares held</b> | <b>Approximate<br/>percentage<br/>of issued<br/>share capital</b> |
|-----------------------|---------------------------|----------------------------------|---|
| Mr. Wan Kin Chung     | Personal interest         | 300,000                          | 0.06%   |
| Mr. Wong Tak Shing    | Personal interest         | 3,750,000                        | 0.81%   |
| Mr. Cheng Kwong Chung | Personal interest         | 3,750,000                        | 0.81%   |

Save as disclosed above, as at 30th June, 2006, 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 corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be 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.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 18th October, 2001 pursuant to a written resolution of the Company. On 4th May, 2006, options to subscribe for an aggregate 30,000,000 shares at HK\$0.138 per share had been granted by the Company under the Scheme. On 8th May, 2006, all the outstanding 30,000,000 share options were exercised. As at 30th June, 2006, no share options granted under the Scheme were outstanding. Particulars and movements of the share options granted under the Scheme were as follows:

| Categories of grantees | Date of grant | Exercisable period      | Exercise price per share<br>HK\$ | Outstanding as at 31/3/2006 | Granted during the period | Exercised during the period | Outstanding as at 30/6/2006 |
|------------------------|---------------|-------------------------|----------------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| <b>Directors</b>       |               |                         |                                  |                             |                           |                             |                             |
| Mr. Wan Kin Chung      | 04/05/2006    | 04/05/2006 – 03/05/2016 | 0.138                            | –                           | 300,000                   | 300,000                     | –                           |
| Mr. Wong Tak Shing     | 04/05/2006    | 04/05/2006 – 03/05/2016 | 0.138                            | –                           | 3,750,000                 | 3,750,000                   | –                           |
| Mr. Cheng Kwong Chung  | 04/05/2006    | 04/05/2006 – 03/05/2016 | 0.138                            | –                           | 3,750,000                 | 3,750,000                   | –                           |
| <b>Employees</b>       | 04/05/2006    | 04/05/2006 – 03/05/2016 | 0.138                            | –                           | 14,700,000                | 14,700,000                  | –                           |
| <b>Consultants</b>     | 04/05/2006    | 04/05/2006 – 03/05/2016 | 0.138                            | –                           | 7,500,000                 | 7,500,000                   | –                           |

The directors consider that it is inappropriate to state the value of the options granted under the Scheme on the ground that certain crucial factors for such valuation are variables such as the expected volatility and interest rate, which cannot be reasonably determined at this stage. Any valuation of the share options based on speculation assumptions in respect of these variables would not be meaningful and would be misleading to the shareholders of the Company.





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

During the three months ended 30th June, 2006, there were no purchases, sales or redemptions of the Company's listed securities 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 has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30th June, 2006 except that: (i) the roles of Chairman and chief executive officer are not separated and are performed by the same individual; and (ii) no nomination committee of the Board is established.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.





## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18th October, 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the Committee currently comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. The financial statements of the Group for the period ended 30th June, 2006 have been reviewed by the Committee, which is of the opinion that such statements comply 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, 8th August, 2006

*As at the date of this report, the Board of the Company comprises three executive directors, namely Mr. Wan Kin Chung, Mr. Wong Tak Shing and Mr. Cheng Kwong Chung and three independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu.*