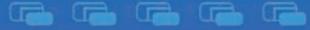




IA International Holdings Limited

(incorporated in Bermuda with limited liability)



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Third Quarterly Report for the Nine Months Ended 31st December, 2001

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

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 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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Highlights

- The shares of the Company were successfully listed on GEM on 1st November, 2001.
- For the nine months ended 31st December, 2001, the Group's turnover increased by approximately 44%, as compared to the corresponding period last year to approximately HK\$38 million and achieved a gross profit margin of approximately 25%.
- The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2001.

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, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	<i>Note</i>	Nine months ended		Three months ended	
		31st December, 2001	2000	31st December, 2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	37,950	26,364	11,410	5,538
Cost of sales		(28,379)	(19,773)	(8,706)	(4,154)
Gross profit		9,571	6,591	2,704	1,384
Other revenue		288	11	260	7
Selling and distribution costs		(788)	(200)	(412)	(80)
Administrative expenses		(2,398)	(1,061)	(1,305)	(538)
Other operating expenses		(1,902)	(234)	(645)	(78)
Profit before tax		4,771	5,107	602	695
Tax	3	(956)	(876)	(90)	(99)
Net profit before minority interests		3,815	4,231	512	596
Minority interests		49	—	(17)	—
Net profit from ordinary activities attributable to shareholders		3,864	4,231	495	596
Dividend		0	0	0	0
Earnings per share					
— Basic (cents)	4	1.50	1.73	0.18	0.24
— Diluted (cents)		N/A	N/A	N/A	N/A

Financial Results

Notes:

1. Group reorganisation and basis of presentation

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 7th June, 2001. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on GEM, the Company acquired the entire issued share capital of Smart Time Development Limited and became the holding company of the subsidiaries comprising the Group on 18th October, 2001. Details of the Reorganisation are set out in the prospectus of the Company dated 24th October, 2001 (the "Prospectus"). The shares of the Company (the "Shares") were listed on GEM on 1st November, 2001.

The unaudited consolidated results of the Group for the three months and the nine months ended 31st December, 2001 include the results of the Company and all of its subsidiaries for the three months and nine months ended 31st December, 2001.

The comparative unaudited combined results have been prepared using the merger basis of accounting as a result of the Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries since their respective dates of incorporation rather than from the date of their acquisition pursuant to the Reorganisation. Accordingly, the unaudited combined results of the Group for the three months and nine months ended 31st December, 2000 included the results of the Company and its subsidiaries with effect from 1st April, 2000 as if the current Group structure has been in existence throughout the three months and nine months ended 31st December, 2000.

In the opinion of the Board, the unaudited combined results prepared on the above basis present fairly the results of the Group as a whole.

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, after allowances for returns and trade discounts where applicable.

3. Tax

Hong Kong profits tax for the three months and nine months ended 31st December, 2001 have been provided at 16% (three months and nine months ended 31st December, 2000: 16%) on the estimated assessable profits arising in Hong Kong during the periods. Taxes on profits assessable overseas 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.

No deferred tax had been provided for the Group because there were no significant timing differences at the respective balance sheet dates.

4. Earnings per share

The calculation of basic earnings per share for the three months and nine months ended 31st December, 2001 is based on the unaudited net profit from ordinary activities attributable to shareholders for the respective periods of approximately HK\$495,000 and HK\$3,864,000 (three months and nine months

Financial Results

ended 31st December, 2000: approximately HK\$596,000 and HK\$4,231,000, respectively) and the weighted average of approximately 281,467,000 and 257,200,000 shares in issue during the aforementioned periods ended 31st December, 2001 respectively (pro forma number of shares in issue for the three months and nine months ended 31st December, 2000: 245,000,000 shares).

No diluted earnings per share has been presented as no diluting events existed during the three months and nine months ended 31st December, 2001 and the corresponding periods in 2000.

5. Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	—	6,115	1,793	7,908
Net profit for the period	—	—	3,635	3,635
At 30th September, 2000 and at 1st October, 2000	—	6,115	5,428	11,543
Net profit for the period	—	—	596	596
At 31st December, 2000	—	6,115	6,024	12,139
At 1st April, 2001	—	6,115	3,562	9,677
Net profit for the period	—	—	3,369	3,369
At 30th September, 2001 and at 1st October, 2001	—	6,115	6,931	13,046
Contributed surplus applied to pay up 2,000,000 nil paid shares	—	(100)	—	(100)
Premium arising from placing of new shares	25,230	—	—	25,230
Capitalisation on issue of shares	(12,005)	—	—	(12,005)
Share issue expenses	(7,652)	—	—	(7,652)
Net profit for the period	—	—	495	495
At 31st December, 2001	5,573	6,015	7,426	19,014

Business 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.

The Board expects that the trial run of the Group’s IOD system solutions will take place in the first quarter of 2002 and the IOD system solutions are expected to be fully launched in the first quarter of 2003. With a view to becoming a total IOD system solutions provider, the Group is working on the development of its e-commerce platform and related applications and is improving its capability to supply Internet appliances. In addition, the Group develops and distributes a series of Internet appliances which can be used in the Group’s IOD system solutions with such modifications as may be required by content providers.

Financial performance

For the nine months ended 31st December, 2001

For the nine months ended 31st December, 2001, the Group’s turnover increased by approximately 44%, as compared to the corresponding period in 2000, to approximately HK\$38 million. The increase in turnover was mainly attributable to increase in the quantity sold for iDVDs and auto DVDs as compared to the corresponding period in 2000. The gross profit margin remained fairly stable during the six months ended 30th September, 2001 compared to the corresponding period in 2000.

During the same period, the Group’s net profit from ordinary activities attributable to shareholders decreased by approximately 9%, as compared to the corresponding period last year, to approximately HK\$3.9 million. The decrease was mainly attributable to a substantial increase in the administrative expenses and other operating expenses. The increase in administrative expenses was mainly due to the increase in overheads such as rental expenses, directors’ remuneration and staff costs resulting from the expansion of the Group’s Hong Kong office. The other operating expenses represented the research and development expenses which comprised staff costs and overheads, and are related

Business Review and Prospect

principally to the development of the Group's e-commerce platform. The increase was due to the increase in the number of research and development staff and expansion of office facilities.

For the three months ended 31st December, 2001

During the three months ended 31st December, 2001, the Group's turnover increased by approximately 106%, as compared to the corresponding period last year, to approximately HK\$11 million. The gross profit margin remained fairly stable during the three months ended 31st December, 2001 compared to the corresponding period in 2000.

During the same period, the Group' net profit from ordinary activities attributable to shareholders decreased by approximately 17%, as compared to the corresponding period in 2000, to approximately HK\$0.5 million. The decrease was mainly attributable to a substantial increase in the administrative expenses and other operating expenses.

Research and development

During the three months ended 31st December, 2001, the Group's principal research and activities are as follows:

- (i) continued programming of individual components and applications of the e-commerce platform.
- (ii) completed its development for auto DVDs for use outside households and office environment and commenced sales on auto DVDs.
- (iii) continued to develop enhancement features such as high compression and multimedia functions for its iDVDs.
- (iv) completed the first stage of the e-Tax platform and is conducting the initial trial run for its e-tax platform.

Business Review and Prospect

Sales and marketing

During the three months ended 31st December, 2001, the Group introduced and sold auto DVDs to new distributors and business partners.

For the existing products, the Group continued to develop new alliances for the marketing and distribution.

During the same period, the Group continued negotiation with potential customers on the e-commerce services and applications.

By order of the Board
IA International Holdings Limited
Chiu Ting San
Chairman

Hong Kong, 8th February, 2002

Other Information

Interim Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2001 (nine months ended 31st December, 2000: Nil).

Directors' and Chief Executive's Interests in Securities

As at 31st December, 2001, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standards of dealings by directors as referred to in Rule 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM, the interests of directors and chief executive in the Shares were as follows:

<u>Director</u>	Number of Shares				<u>Total</u>
	<u>Corporate</u> <u>Interests</u>	<u>Personal</u> <u>Interests</u>	<u>Family</u> <u>Interests</u>	<u>Other</u> <u>Interests</u>	
Mr. Cheng Kwong Chung (<i>Note</i>)	225,000,000	—	—	—	225,000,000

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. Global Plus Ltd. is wholly and beneficially owned by Mr. Cheng Kwong Chung.

Other Information

Substantial Shareholders

As at 31st December, 2001, save for the interests of directors and chief executive disclosed above, according to the register required to be kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) the following persons were interested in 10% or more of the Shares:

<u>Name</u>	<u>Number of Shares held</u>	<u>Approximate percentage or Attributable percentage of the shareholding in the Company</u>
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. Global Plus Ltd. is wholly and beneficially owned by Mr. Cheng Kwong Chung.

Share Option scheme

On 18th October, 2001, the Company adopted the Share Option Scheme under which share options to subscribe for Shares may be granted under the terms and conditions stipulated therein. As at 31st December, 2001, no share option was granted under the Share Option Scheme.

Directors’ and Chief Executive’s Rights to Acquire Securities

Save for the Share Option Scheme, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body

Other Information

corporate and none of the Directors, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company was listed on 1st November, 2001. From 1st November, 2001 to 31st December, 2001, 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 an interest in a business which competes or may compete with the business of the Group.

Interest of Sponsor

According to a sponsorship agreement between the Company and DBS Asia Capital Limited (the "Sponsor"), for a fee, the Sponsor acts as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period up to 31st March, 2004.

As notified by the Sponsor, as at 31st December, 2001, neither the Sponsor nor its directors or employees or associates, had any interests in the securities of the Company or any member of the Group, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Audit Committee

The Company established an audit committee on 18th October, 2001 with written terms of reference in compliance with the requirements set out in Rules 5.23 and 5.24 of 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 an executive Director, Ms. Wang Lee Lee and two independent non-executive Directors, namely, Ms. Leung Wai Ling, Wylie and Mr. Chung Tung Sau.