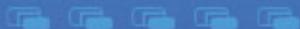




# IA International Holdings Limited

*(incorporated in Bermuda with limited liability)*



0010100010101101

**Interim Report for the Six Months Ended 30th September, 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.**

## Contents

Highlights	3
Financial Results	4
Business Review and Prospect	6
Other Information	9

## Highlights

- The shares of the Company were successfully listed on GEM on 1st November, 2001.
- For the six months ended 30th September, 2001, the Group's turnover increased by approximately 27%, as compared to the corresponding period last year to approximately HK\$26.5 million and achieved a gross profit margin of approximately 26%.
- The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2001.

## Financial Results

The board of directors (the “Board”) of the Company announces the unaudited pro forma combined results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30th September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	<i>Note</i>	Six months ended 30th September,		Three months ended 30th September,	
		<b>2001</b> <i>HK\$000</i>	2000 <i>HK\$000</i>	<b>2001</b> <i>HK\$000</i>	2000 <i>HK\$000</i>
Turnover	2	<b>26,540</b>	20,826	<b>12,402</b>	17,862
Cost of sales		<b>(19,673)</b>	(15,620)	<b>(9,197)</b>	(13,397)
Gross profit		<b>6,867</b>	5,206	<b>3,205</b>	4,465
Other revenue		<b>27</b>	4	<b>20</b>	4
Selling and distribution costs		<b>(375)</b>	(120)	<b>(190)</b>	(120)
Administrative expenses		<b>(1,101)</b>	(522)	<b>(437)</b>	(247)
Other operating expenses		<b>(1,249)</b>	(156)	<b>(791)</b>	(78)
Profit before tax		<b>4,169</b>	4,412	<b>1,807</b>	4,024
Tax	3	<b>(867)</b>	(777)	<b>(397)</b>	(680)
Net profit before minority interests		<b>3,302</b>	3,635	<b>1,410</b>	3,344
Minority interests		<b>67</b>	0	<b>67</b>	0
Net profit from ordinary activities attributable to shareholders		<b>3,369</b>	3,635	<b>1,477</b>	3,344
Dividend		<b>0</b>	0	<b>0</b>	0
Earnings per share					
— Basic (cents)	4	<b>1.38</b>	1.48	<b>0.60</b>	1.36
— Diluted (cents)		<b>N/A</b>	N/A	<b>N/A</b>	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 pro forma 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 pro forma combined results of the Group for the three months and six months ended 30th September, 2001 and the corresponding periods in 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 six months ended 30th September, 2001 and the corresponding periods in 2000.

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

All significant transactions and balances within the Group have been eliminated on combination.

## **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 six months ended 30th September, 2001 have been provided at 16% (three months and six months ended 30th September, 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 pro forma earnings per share is based on the unaudited pro forma net profit attributable to shareholders of the three months and six months ended 30th September, 2001 of approximately HK\$1,477,000 and HK\$3,369,000, respectively, (three months and six months ended 30th September, 2000: approximately HK\$3,344,000 and HK\$3,635,000, respectively) and the pro forma 245,000,000 shares in issue (pro forma number of shares in issue for the three months and six months ended 30th September, 2000: 245,000,000 shares).

No diluted earnings per share has been presented as no diluting events existed during the three months and six months ended 30th September, 2001 and the corresponding periods in 2000.

## 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 six months ended 30th September, 2001*

For the six months ended 30th September, 2001, the Group’s turnover increased by approximately 27%, as compared to the corresponding period in 2000, to approximately HK\$26.5 million. The increase in turnover was mainly attributable to increase in the quantity sold for set-top boxes and iDVDs 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 7%, as compared to the corresponding period last year, to approximately HK\$3.4 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 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 principally to the

## Business Review and Prospect

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 30th September, 2001*

During the three months ended 30th September, 2001, the Group's turnover decreased by approximately 31%, as compared to the corresponding period last year, to approximately HK\$12.4 million. The gross profit margin remained fairly stable during the three months ended 30th September, 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 56%, as compared to the corresponding period in 2000, to approximately HK\$1.5 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 30th September, 2001, the Group commenced development of applications and individual components of the e-commerce platform.

During the same period, the Group also continued to enhance features of the iDVD such as high compression and multimedia functions. In addition, the Group also conducted research and development of new Internet appliances such as auto DVDs for use outside households and office environment.

### **Sales and Marketing**

During the three months ended 30th September, 2001, the Group introduced auto DVD for use outside households and office environment as part of its product range. It is expected that wireless application of 3G standards will be launched in the near future and such technology would be used to enhance the Group's auto DVD. With wireless applications, the enhanced auto DVD will be used to access the Group's e-commerce platform.

During the same period, the Group continued negotiation with potential content providers in relation to the e-commerce platform.

## Business Review and Prospect

### **E-Tax Platform**

In April 2001, 深圳毅興科技企業有限公司 (“IA Shenzhen”), a subsidiary of the Company, and 深圳市電子商務中心 (“Shenzhen E-commerce Centre”) jointly prepared a proposal concerning the feasibility of an e-Tax platform in Shenzhen and jointly submitted it to the Shenzhen Tax Bureau. The e-Tax platform has been developed based on the system design of the Group’s e-commerce platform and will be connected to the Shenzhen Tax Bureau to facilitate the filing of tax returns by business enterprises in Shenzhen. The trial run is expected to take place in the fourth quarter of 2001. Initially, the e-Tax platform will target business enterprises in Shenzhen. It will enable business enterprises to submit tax returns. It is expected that at a later stage, the e-Tax platform will also enable business enterprises to make payment on the Internet.

In 2001, IA Shenzhen and Shenzhen E-commerce Centre signed a memorandum of understanding (the “e-Tax MOU”) whereby, inter alia, IA Shenzhen and Shenzhen E-commerce Centre will jointly develop the e-Tax platform. The e-Tax MOU is non-legally binding. Pursuant to an agreement entered into between Shenzhen E-commerce Centre and Shenzhen Tax Bureau on 30th March, 2001, the e-Tax platform will be used as the designated tax related online interface for Shenzhen Tax Bureau.

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

Hong Kong, 13th November, 2001

## Other Information

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (six months ended 30th September, 2000: Nil).

### Directors' and Chief Executive's Interests in Securities

As at 1st November, 2001 (being the Company's listing date), 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>	<b>Number of Shares</b>				<b>Total</b>
	<b>Corporate</b>	<b>Personal</b>	<b>Family</b>	<b>Other</b>	
	<b>Interests</b>	<b>Interests</b>	<b>Interests</b>	<b>Interests</b>	<b>Interests</b>
Mr. Cheng Kwong Chung					
(Note)	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 1st November, 2001 (being the Company's listing date), 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 Company's issued share capital:

<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. Since 1st November, 2001 (being the Company's listing date) and up to the date hereof, 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

## Other Information

shares in, or debt securities, including debentures, of the Company or any other body 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 and up to the date hereof, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

### **Comparison of Business Objectives with Actual Business Progress**

According to the statement of business objectives stated in the Prospectus, the first period covered by the statement of business objectives is from 18th October, 2001 to 31st March, 2002 whereas, this interim result announcement covers the period from 1st April, 2001 to 30th September, 2001. Accordingly, no comparison is presented, and the actual business progress is stated in the section headed "Statement of Active Business Pursuits" in the Prospectus.

### **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.

### **Interest of Sponsor**

Vickers Ballas Capital Limited (the "Sponsor") has entered into a sponsorship agreement with the Company whereby, for a fee, the Sponsor will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period from 1st November, 2001 to 31st March, 2004.

## Other Information

As notified by the Sponsor, as at 12th November, 2001 (being the latest practicable date for ascertaining the relevant information), 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.