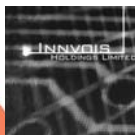




INNOVIS HOLDINGS LIMITED



3rd Quarterly Report 2005



INNOVIS

HOLDINGS LIMITED

華智控股有限公司

Incorporated in the Cayman Islands with limited liability



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 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 of Hong Kong Limited 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 (the “Directors”) of Innovis Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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.

THIRD QUARTER UNAUDITED RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30th September, 2005, together with the comparative unaudited figures for the corresponding period in 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended 30th September, 2005 HK\$'000	Nine months ended 30th September, 2004 HK\$'000	Three months ended 30th September, 2005 HK\$'000	Three months ended 30th September, 2004 HK\$'000
Turnover	2	14,181	21,046	5,854	6,822
Cost of sales		<u>(10,980)</u>	<u>(15,896)</u>	<u>(4,510)</u>	<u>(4,430)</u>
Gross profit		3,201	5,150	1,344	2,392
Other income		334	243	258	–
Administrative and other operating expenses		<u>(3,387)</u>	<u>(4,592)</u>	<u>(1,270)</u>	<u>(1,818)</u>
Operating profit		148	801	332	574
Finance costs		<u>(100)</u>	<u>(118)</u>	<u>(8)</u>	<u>(73)</u>
Profit before taxation		48	683	324	501
Taxation	3	<u>(80)</u>	<u>(120)</u>	<u>(80)</u>	<u>(88)</u>
(Loss)/Profit attributable to shareholders		<u>(32)</u>	<u>563</u>	<u>244</u>	<u>413</u>
Dividend	4	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/Earnings per share					
– Basic	5	<u>(0.01) cents</u>	<u>0.15 cents</u>	<u>0.07 cents</u>	<u>0.11 cents</u>
– Diluted	5	<u>N/A</u>	<u>0.15 cents</u>	<u>0.07 cents</u>	<u>0.11 cents</u>

Notes:

1. Basis of preparation

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the annual financial statements for the year ended 31st December, 2004. The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods beginning on or after 1st January, 2005. The adoption of these HKFRS has no material impact on the Group’s results of operations and financial position.

The Group’s unaudited consolidated quarterly results has not been audited by the Company’s auditors but has been reviewed by the Company’s audit committee.

2. Turnover and revenue

The Group is principally engaged in investment holding, provision of Intelligent Building Systems (IBS) Solutions and the sales of electronic equipment and consultancy services.

Turnover for the period ended 30th September, 2004 and 2005 represented revenue recognised from the provision of IBS solutions and maintenance, building contracting, the net invoiced value of goods sold and IBS consultancy services. An analysis of the Group’s turnover and other major revenue is set out below:

	Nine months ended 30th September, 2005 HK\$'000 (unaudited)	Nine months ended 30th September, 2004 HK\$'000 (unaudited)	Three months ended 30th September, 2005 HK\$'000 (unaudited)	Three months ended 30th September, 2004 HK\$'000 (unaudited)
IBS solutions and maintenance, building contracting services and sales of goods	14,181	21,046	5,854	6,822
Interest income	11	-	5	-
	<u>14,192</u>	<u>21,046</u>	<u>5,859</u>	<u>6,822</u>

3. Taxation

Taxation represents the provision for Hong Kong profits tax at 17.5% (2004: 17.5%) on the estimated assessable profits for the period presented.

4. Dividend

For the nine months ended 30th September, 2005, the Board does not recommend the payment of a dividend (2004: Nil).

5. (Loss)/Earnings per share

(Loss)/Earnings per share for the three months and nine months ended 30th September, 2005 and for the corresponding period in 2004 was calculated based on the following figures:

	Nine months ended 30th September, 2005 HK\$'000 (unaudited)	Nine months ended 30th September, 2004 HK\$'000 (unaudited)	Three months ended 30th September, 2005 HK\$'000 (unaudited)	Three months ended 30th September, 2004 HK\$'000 (unaudited)
Unaudited consolidated (loss)/profit attributable to shareholders	<u>(32)</u>	<u>563</u>	<u>244</u>	<u>413</u>
Weighted average number of shares				
– Basic	<u>375,000,000</u>	375,000,000	<u>375,000,000</u>	375,000,000
– Diluted	<u>375,000,000</u>	<u>382,031,250</u>	<u>375,000,000</u>	<u>382,031,250</u>
(Loss)/Earnings per share				
– Basic	<u>(0.01) cent</u>	0.15 cent	<u>0.07 cent</u>	0.11 cent
– Diluted	<u>N/A</u>	<u>0.15 cent</u>	<u>0.07 cent</u>	<u>0.11 cent</u>

6. Reserves

There were no movements in the reserves of the Group other than those reflected in the results for the three months and nine months ended 30th September, 2005 and 2004.

STATEMENT FROM THE DIRECTORS

We are pleased to present to the shareholders the Third Quarterly Report for 2005 in respect of the Company and its subsidiaries (the “Group”).

On 29th August, 2005, Haijing Holdings Limited (“Haijing”) (a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Chao Pang Fei) acquired a majority interest of approximately 56.33% in the Company. Accordingly, China Win Holding International Ltd ceased to be a controlling shareholder of the Company on the same date. Pursuant to the requirements under the Hong Kong Code on Takeovers and Mergers, Haijing (the “offeror”) announced on 29th August, 2005 relating to a general offer for all the issued Shares and all the outstanding Pre-IPO share options of the Company (other than those Shares already owned by the offeror and/or parties acting in concert with it). As stated in the offer document dated 12th September, 2005, the offeror has stated its intention to hold the shares on a long-term basis and to continue to carry on its existing business of the Company.

The general offer by Haijing was closed on 3rd October, 2005 and there was no acceptances for the general offer from the independent shareholders. Immediately upon the close of the general offer, Haijing continues to be the controlling shareholder of the Company, holding approximately 56.33% shares in issue.

The board of directors (the “Board”) is committed to continue, strengthen and grow the business of the provision of intelligent building system solution.

MANAGEMENT DISCUSSION AND ANALYSIS **FINANCIAL REVIEW**

For the nine months ended 30th September, 2005, the Group recorded a turnover of approximately HK\$14.2 million, representing a decline of approximately 32% as compared to approximately HK\$21 million for the corresponding period in 2004.

For the nine months ended 30th September, 2005, gross profit margin of the Group was approximately 23% as compared to approximately 24% for the corresponding period in 2004. The decrease of gross profit margin was attributable to fierce competition amongst players in the market and thus leading to price cutting of projects.

For the nine months ended 30th September, 2005, administrative and other operating expenses of the Group was approximately HK\$3.4 million as compared to approximately HK\$4.6 million for the corresponding period in 2004. Although the management, being confronted with fierce competition from market players and the decline of market, has strived to explore new resources and devoted continuous efforts in cost control, competition led to the loss attributable to shareholders for the nine months ended 30th September, 2005 was approximately HK\$32,000 as compared to profit attributable to shareholders of HK\$0.6 million for the corresponding period in 2004.

BUSINESS REVIEW

Business development in Hong Kong

Despite the rise in selling price of new premises in Hong Kong, price-cutting in the provision of products and services in the IBS market as a result of fierce competition has confirmed unabated and has had a negative impact on the Group's profitability. Although under such highly competitive market condition, the Group will continue to strive to develop and explore new business opportunities in Hong Kong, projects including developing retailing software compatible with smart cards, tapping into school computers maintenance market and developing escalator systems with computerized lighting applicable in hospitals are still in progress.

Business development in the People's Republic of China ("PRC")

The PRC remains to be an important place for the Group to expand its customer base. The Group has actively leveraged upon the connection of its existing domestic strategic partners to explore the business opportunities of the Group's products and services in the PRC. Meanwhile, apart from the co-operation with relevant companies in household software, consensus has been reached in discussing distribution rights in Hong Kong with a company in PRC in respect of a newly developed product so as to further expand the range of applications for the intelligent building systems developed by the Group.

The Group is still currently discussing with several property developers in the Yangtze River Delta region to explore the possibilities of introducing these developers as the Group's strategic partners in order to strengthen the Group's business in the region.

Although the Directors consider the PRC as one of its major market in the future, the business development and market penetration of the Group in the PRC are still in the process of development and the Directors do not expect the PRC market to be a significant source of revenue for the Group in the near future.

Business development in Macau

With the boom in the economy in Macau, the Group has further studied the future trend of its market and considers Macau as one of the markets for IBS products of the Group. The Group is currently co-operating with a local engineering company to tender in the relevant industry.

RESEARCH AND DEVELOPMENT

While network-based intelligent system for small community is still under development, the Group is working with relevant companies in the PRC to study the feasibility of developing a build-in entertainment system as an additional value-added component for its network-based intelligent system. In addition, the Group is actively engaged in research and development of the compatibility between smart cards and retailing software and the development of escalator systems with computerized lighting applicable in hospitals.

BUSINESS OUTLOOK

The Directors consider that the recent rise in the price of new premises in Hong Kong did not have positive impact on the growth of the construction industry in Hong Kong and, in particular, the competition between players in the industry is still very fierce, resulting in a continuous decline in gross profit margin of projects. Therefore, the Directors expect that the demand for IBS products and services will probably remain stagnating in the near future. The price-cutting strategy adopted by IBS competitors also further intensified the competition for the IBS projects in Hong Kong and resulted in an increasingly difficult environment for the industry. Nevertheless, the Group is taking appropriate measures in an attempt to cope with the challenge.

Facing the price-cutting competition, the Group also takes corresponding measures. Apart from cutting down the costs of production of the Company, new shareholders are invited to join the Group and the Board has also been reformed in order to enhance the Company's competitiveness.

After introduction of new shareholders, the Group has become more proactive in implementing positive measures, including enhancing the development of retailing software compatible with smart cards, expanding its marketing network for penetration into school computers maintenance market and the development of escalator systems with computerized lighting applicable in hospitals in order to open up new sources of income for the Company.

The previous problems of delayed payment have become less severe. The Group will be more proactive in ensuring recovery of overdue payments by negotiating with individual companies, and if necessary, will suspend services provided to them temporarily so as to seek a quick resolution to the matters. As such, the Directors believe it to be prudent to concentrate on soliciting clients with better credit record in minimising possible bad debt exposure. The Group will not preclude the possibility of making bad debt provision for those companies with records of long delayed payments. In view of current market condition, the Group has been actively exploring and developing other related business with less exposure to the payment problem.

DISCLOSURE OF AGGREGATED RECEIVABLES ARISING FROM THE ORDINARY COURSE OF BUSINESS OF THE GROUP

The following continuing disclosure is made pursuant to Rule 17.22 of the GEM Listing Rules.

As at 30th September, 2005, there were 375,000,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.0768 as stated in the Stock Exchange's daily quotation sheets for the trading days from 23rd September, 2005 to 29th September, 2005 (both days inclusive), being the five business days immediately preceding 30th September, 2005, the total market capitalization of the Company was approximately HK\$28,800,000 (the "Total Market Capitalisation") as at 30th September, 2005.

As at 30th September, 2005, the consolidated total assets value of the Group was approximately HK\$27,548,000 (the "Total Assets Value").

As at 30 September, 2005, the following aggregated receivables of the Group exceeded 8% of either the Total Market Capitalisation and/or the Total Assets Value:—

Customer Name	HK\$	Approximate percentage of Total Market Capitalisation	Approximate percentage of Total Assets Value
Fong Wing Shing Construction Co., Ltd.	3,385,963	11.8%	12.3%
Huns Engineering Co., Ltd.	2,627,515	9.1%	9.5%
Analogue Technical Agencies Ltd.	2,579,804	9.0%	9.4%

All of the above customers and their ultimate beneficial owners are independent of and are not connected with, the Company or its subsidiaries, the directors, chief executive, management shareholders or substantial shareholders of the Company and its subsidiaries or their respective associates (as defined in the GEM Listing Rules).

The aggregated receivables were resulted from the provision of intelligent building systems solutions and the sales of electronic equipment by the Group in its ordinary course of business and on normal commercial terms. They are all unsecured and repayable in accordance with the credit terms as agreed with the relevant customers. No interest had been charged on and no collateral had been received on the balances.

DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30th September, 2005, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong) ("SFO"), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:—

(A) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Type of interests	Number of securities	Approximate percentage of shareholding
Mr. Chao Pang Fei ("Mr. Chao")	Interest of a controlled corporation	211,229,000 shares (Note 1)	56.33%

Notes:

- These shares are legally owned by Haijing Holdings Limited ("Haijing"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and is wholly owned by Mr. Chao. By virtue of his 100% shareholding interest in Haijing, Mr. Chao is taken to be interested in all the shares of the Company held by Haijing pursuant to Part XV of the SFO.

(B) SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY

Save as disclosed herein, as at 30th September, 2005, none of the Directors or chief executives of the Company has short positions in the shares, underlying shares of equity derivatives of the Company or any of its associated corporations.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 30th September, 2005, persons (not being a Director or chief executive of the Company) who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:—

(A) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Type of Interests	Number of shares	Approximate percentage of interests
Haijing (Note 1)	Beneficial owner	211,229,000 shares	56.33%

Note:

1. Haijing is a company incorporated in the BVI and is wholly owned by Mr. Chao.



(B) SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

COMPETING INTERESTS

As at 30th September, 2005, none of the Directors or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 13th June, 2003 entered into between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink"), for the purpose of Chapter 6 of the GEM Listing Rules, MasterLink was retained as Company's compliance adviser during the period between 25th June, 2003 to 31st December, 2005.

As at 30th September, 2005, neither MasterLink, its directors, employees or their respective associates had any interest in any class of securities of the Company or any other companies in the Group (including options or rights to subscribe for such securities) pursuant to Rules 6.36 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding 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. Having made specific enquiry of all directors of the Company, all Directors confirm that they complied with such code of conduct throughout the nine months ended 30th September, 2005.

PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES

During the nine months ended 30th September, 2005, neither the Company, nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities.

CHANGE IN DIRECTORSHIP

During the nine months ended 30th September, 2005, the following change in directorship took place:

- (i) Mr. Chao Pang Fei and Ms. Hui Hong Yan were appointed as executive Directors and Mr. Lan Yu Ping was appointed as non-executive Director with effect from 13th September, 2005; and
- (ii) Mr. Lam Yew Kai, Edmond and Mr. Tsang Hon Ming resigned as executive Directors, Ms. Wong Mau Fa resigned as non-executive Director, Mr. Liu Pui Ming, Mr. Lam Ying Hung, Andy and Mr. Koo Cheuk On, Timmie resigned as independent non-executive Directors, and Mr. Chen Wei Rong, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man were appointed as independent non-executive Directors with effect from 11th November, 2005.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee provides a link between the Board and the Company's auditors in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group.

With effect from 11th November, 2005, each of Mr. Chen Wei Rong, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man, were appointed as members of the audit committee and all precedent members of the audit committee, namely Mr. Liu Pui Ming, Mr. Lam Ying Hung, Andy and Mr. Koo Cheuk On, Timmie resigned as members of the audit committee on the same date. Currently, the audit committee comprises three independent non-executive directors, namely Mr. Chen Wei Rong, Mr. Cheng Yun Ming, Matthew and Mr. Sin Ka Man.



The Group's unaudited consolidated results for the nine months ended 30th September, 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board
INNOVIS HOLDINGS LIMITED
CHAO PANG FEI
Chairman

Hong Kong, 14th November, 2005

As at the date of this report, the Board comprises of Mr. Chao Pang Fei (executive Director), Ms. Hui Hong Yan (executive Director), Mr. Tsang Hon Chung (executive Director), Mr. Lan Yu Ping (non-executive Director), Mr. Chen Wei Rong (independent non-executive Director), Mr. Cheng Yun Ming, Matthew (independent non-executive Director) and Mr. Sin Ka Man (independent non-executive Director).