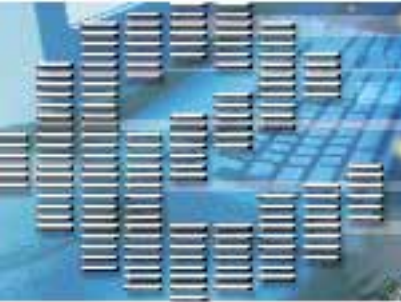
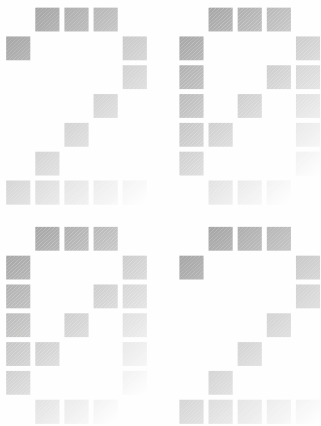




INNO-TECH HOLDINGS LIMITED
匯 創 控 股 有 限 公 司*
(incorporated in Bermuda with limited liability)



Interim Report



* 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 decision to invest only after due and careful consideration. The greater risk profile and other characteristic 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 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 newspaper. 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.

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 Inno-Tech Holdings Limited 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 for the purpose of giving information with regard to Inno-Tech Holdings Limited. The directors of Inno-Tech Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded bases and assumption that are fair and reasonable.

HIGHLIGHTS

Turnover for the six months ended 30 September 2002 was HK\$13,189,000 representing 35% growth from the corresponding period of last year.

Net profit attributable to shareholders amounted to approximately HK\$7,219,000 representing 27% growth from the corresponding period of last year.

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2002

The board of directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2002 together with the unaudited condensed comparatives for the previous corresponding period in 2001 as follows:

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	10,055	7,254	13,189	9,773
Cost of sales		(379)	(397)	(1,392)	(1,093)
Gross profit		9,676	6,857	11,797	8,680
Other revenue		75	–	105	1
Marketing and promotion expenses		(418)	(44)	(586)	(324)
Administrative expenses		(1,673)	(885)	(2,570)	(1,590)
Profit from operations		7,660	5,928	8,746	6,767
Finance costs		(76)	–	(122)	–
Profit from ordinary activities before taxation	3	7,584	5,928	8,624	6,767
Taxation	5	(1,238)	(948)	(1,405)	(1,082)
Profit attributable to shareholders		6,346	4,980	7,219	5,685
Earning per share – basic	9	2.80 cents	2.22 cents	3.05 cents	2.40 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2002

	<i>Notes</i>	Unaudited 30 September 2002	Audited 31 March 2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets	<i>10</i>	1,992	304
Intangible assets	<i>11</i>	7,925	1,800
		9,917	2,104
Current assets			
Trade and other receivables	<i>12</i>	13,338	11,130
Deferred project income		3,415	–
Cash and cash equivalent		21,117	5,355
		37,870	16,485
Current liabilities			
Bank overdraft		10,726	3,502
Accrued expenses and other payable		3,236	1,273
Taxation	<i>5</i>	2,342	937
		16,304	5,712
Net current assets		21,566	10,773
Non-current liabilities			
Deferred taxation	<i>5</i>	319	319
		31,164	12,558
Capital and reserves			
Share capital	<i>13</i>	4,800	109
Reserves	<i>14</i>	26,364	12,449
		31,164	12,558

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

		Unaudited	
		six months ended	
		30 September	30 September
		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	<i>19(i)</i>	5,425	373
Net cash (outflow)/inflow from returns on investment and servicing of finance		(17)	1
Net cash outflow from investing activities		<u>(14,757)</u>	<u>(530)</u>
Net cash outflow before financing activities		(9,349)	(156)
Net cash inflow from financing activities	<i>19(ii)</i>	<u>11,387</u>	<u>18</u>
Increase/(decrease) in cash and cash equivalent		2,038	(138)
Cash and cash equivalent at beginning of the period		<u>(1,647)</u>	<u>274</u>
Cash and cash equivalent at the end of the period	<i>19(iii)</i>	<u>391</u>	<u>136</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

		Unaudited	
		six months ended	
		30 September	30 September
		2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
Share issuance expenses		(11,493)	–
Profit for the period		<u>7,219</u>	<u>5,685</u>
Total recognised (losses)/gains		<u>(4,274)</u>	<u>5,685</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Unaudited consolidated HK\$'000
As at 1 April 2002 – total equity	12,558
Appropriation to the then equity owners of a subsidiary before group reorganisation	(4,000)
Issue of new shares for placement	23,520
Issue of new shares to the public	3,360
Share issuance expenses	(11,493)
Profit for the period	7,219
	<hr/>
As at 30 September 2002 – total equity	<u>31,164</u>

Notes:

1. Basis of consolidation

The Company was incorporated in Bermuda on 19 November 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Growth Enterprises Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group upon completion of the Group Reorganisation on 7 July 2002. Further details of the Group Reorganisation are set out in the Company’s prospectus dated 30 July 2002 (the “Prospectus”). The Company’s shares were listed on GEM on 12 August 2002. The Group resulting from the Reorganisation is regarded as a continuing entity.

The unaudited condensed consolidated results of the Group have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company had been treated as the holding company of its subsidiaries since their respective dates of incorporation. Accordingly, the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2002 and the corresponding periods in 2001 included the results of the Company and its subsidiaries with effect from 1 April 2001 as if the current Group structure has been in existence throughout the three months and six months ended 30 September 2002 and the corresponding periods in 2001.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

The unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.125 “Interim Reporting” issued by the Hong Kong Society of Accountants, and Chapter 18 of the Listing Rules of the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the Accountants’ Report for the year ended 31 March 2002 as disclosed in Appendix I of the Company’s Prospectus.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. Turnover

The Company acts as an investment holding company and the Group is principally engaged in the design of residential intranet and the provision of e-property management software application consulting and related services. Turnover represents the amount received and receivable for the provision of residential intranet and software application design services.

3. Profit from ordinary activities before taxation is arrived at after charging

	Unaudited six months ended	
	30 September 2002 HK\$'000	30 September 2001 HK\$'000
<i>Finance cost</i>		
Interest on bank advances wholly repayable within five years	122	–
Auditor's remuneration	56	50
Staff cost	2,680	1,965
Amortization of intangible assets	369	50
Depreciation	75	34
Operating lease changes in respect of office premises	139	140
Retirement costs	51	43
Average number of staff	10	10

4. Segment information

An analysis of the Group's unaudited condensed consolidated turnover and results by business segments is as follows:

	Provision of e-property management software HK\$'000	Design of residential intranet HK\$'000	Unaudited consolidated HK\$'000
For the six months ended 30 September 2002			
Turnover	<u>8,211</u>	<u>4,978</u>	<u>13,189</u>
Segment profit	<u>6,980</u>	<u>4,231</u>	11,211
Unallocated income and expenses			<u>(2,465)</u>
Profit from operations			<u>8,746</u>
	Provision of e-property management software HK\$'000	Design of residential intranet HK\$'000	Unaudited consolidated HK\$'000
For the six months ended 30 September 2001			
Turnover	<u>3,500</u>	<u>6,273</u>	<u>9,773</u>
Segment profit	<u>2,993</u>	<u>5,363</u>	8,356
Unallocated income and expenses			<u>(1,589)</u>
Profit from operations			<u>6,767</u>

The Directors consider that an analysis of the unaudited condensed consolidated turnover and profit from operations by geographical segments are not required as all the services are rendered in Hong Kong.

5. Taxation

Provision for Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profits arising in Hong Kong for the period.

Deferred taxation

Major components of deferred tax liabilities of the Group are set out below:

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Depreciation allowances in excess of related depreciation	<u>319</u>	<u>319</u>

6. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

7. Directors' remuneration

Details of directors' remuneration are as follows:

	Unaudited six months ended	
	30 September 2002 HK\$'000	30 September 2001 HK\$'000
Fees	–	–
Basic salaries, allowances and other benefits	1,960	1,500
Discretionary bonuses	–	–
Retirement benefits	<u>27</u>	<u>24</u>
	<u>1,987</u>	<u>1,524</u>
Number of executive directors	4	6
Number of independent non-executive directors	<u>2</u>	<u>–</u>
	<u>6</u>	<u>6</u>

Emoluments of each of the five executive directors, one of whom has retired, amounted to approximately HK\$486,000, HK\$486,000, HK\$406,000, HK\$366,000 and HK\$243,000 respectively for the period ended 30 September 2002. Emoluments of each of the six executive directors amounted to approximately HK\$306,000, HK\$306,000, HK\$306,000, HK\$306,000, HK\$300,000 and HK\$Nil respectively for the period ended 30 September 2001.

No remuneration was paid nor payable to the two independent non-executive directors during the six months period ended 30 September 2002 and 2001 respectively.

The five highest paid individuals during the relevant period are all executive directors of the Group and their emoluments are within the band of HK\$Nil to HK\$1,000,000. During the relevant period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors have waived or agreed to waive any emoluments during the relevant period.

8. Retirement Benefits

The Group participates in a Mandatory Provident Fund (“MPF”), managed by an independent approved MPF trustee, which provides retirement benefits to all the Group’s employees in Hong Kong. Pursuant to the mandatory Provident Fund Schemes Ordinance, the minimum requirement of mandatory contributions from employers and each of the employees is calculated at five percent of the employees’ basic salaries.

The Group does not operate any other scheme for retirement benefits provided to the Group’s employees.

9. Earnings per share

The calculation of basic earnings per share is based on the unaudited condensed consolidated profit attributable to shareholders for the three months and six months ended 30 September 2002 of HK\$6,346,000 and HK\$7,219,000 respectively and on the weighted average of 226,229,508 shares and 236,010,929 shares respectively.

The calculation of basic earnings per share for the three months and six months ended 30 September 2001 is based on the unaudited condensed consolidated profit attributable to shareholders for the three months and six months ended 30 September 2001 of HK\$4,980,000 and HK\$5,685,000 respectively and on the weighted average of 226,229,508 shares and 236,010,929 shares respectively for the three months and six months ended 30 September 2001 respectively as if the issued shares have been in existence since 1 April 2001.

The diluted earnings per share is not shown as it is not materially different from the basic earnings per share.

10. Fixed assets

	Unaudited consolidated <i>HK\$'000</i>
<i>Cost</i>	
As at 1 April 2002	416
Additions	1,763
	<hr/>
As at 30 September 2002	<u>2,179</u>
<i>Accumulated depreciation</i>	
As at 1 April 2002	112
Charge for the period	75
	<hr/>
As at 30 September 2002	<u>187</u>
<i>Net book value</i>	
As at 30 September 2002	<u>1,992</u>
As at 31 March 2002	<u>304</u>

11. Intangible assets

	Unaudited consolidated HK\$'000
Computer software	
<i>Cost</i>	
As at 1 April 2002	2,000
Additions	6,494
	<hr/>
As at 30 September 2002	8,494
<i>Accumulated amortisation</i>	
As at 1 April 2002	200
Charge for the period	369
	<hr/>
As at 30 September 2002	569
	<hr/>
<i>Net book value</i>	
As at 30 September 2002	7,925
	<hr/>
As at 31 March 2002	1,800
	<hr/>

12. Trade and other receivables

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Trade receivables	8,917	7,810
Prepayments, deposits and other receivables	4,421	3,320
	<hr/>	<hr/>
	13,338	11,130
	<hr/>	<hr/>

The ageing analysis of the Group's trade receivables at end of the period is as follows:

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Current	8,917	3,476
31 – 90 days	–	4,334
	<hr/>	<hr/>
	8,917	7,810
	<hr/>	<hr/>

Customers are generally granted with credit terms of three months.

The amount due from a major customer accounted for approximately 21% of the trade receivables.

13. Share capital

	Number of shares	Unaudited HK\$'000
<i>Authorized</i>		
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000,000
<i>Issued and fully paid</i>		
As at 1 April 2002	10,000,000	100
Issue of new shares pursuant to group reorganisation	20,000,000	200
Capitalisation issue	354,000,000	3,540
Issue of new shares for placement	84,000,000	840
Issue of new shares to the public	12,000,000	120
As at 30 September 2002	480,000,000	4,800

- (i) 10,000,000 ordinary shares of HK\$0.01 each were allotted and issued nil paid on 19 November 2001, the date of incorporation of the Company.
- (ii) 20,000,000 ordinary shares of HK\$0.01 each were allotted, issued and credited from the share premium account as fully paid on 5 July 2002 pursuant to the Group Reorganisation.
- (iii) 354,000,000 ordinary shares of HK\$0.01 each were allotted, issued and credited from the share premium account as fully paid on 5 July 2002.
- (iv) 84,000,000 ordinary shares of HK\$0.01 each were allotted and issued as fully paid pursuant to placement of shares on 8 August 2002.
- (v) 12,000,000 ordinary shares of HK\$0.01 each were allotted and issued as fully paid pursuant to the initial offer of shares to the public on 8 August 2002.

14. Reserves

	Merger reserves HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Unaudited consolidated total HK\$'000
As at 1 April 2002	5,816	–	6,633	12,449
Appropriation to the then equity owner of a subsidiary before group reorganisation	–	–	(4,000)	(4,000)
Arising from issue of new shares pursuant to group reorganisation	(191)	–	–	(191)
Arising from capitalisation issue	–	(3,540)	–	(3,540)
Arising from issue of new shares for placement	–	22,680	–	22,680
Arising from issue of shares to the public	–	3,240	–	3,240
Share issuance expenses	–	(11,493)	–	(11,493)
Profit for the period	–	–	7,219	7,219
As at 30 September 2002	5,625	10,887	9,852	26,364

15. Pledge of assets

As at 30 September 2002, bank deposits of HK\$10,000,000 (31 March 2002: HK\$3,500,000) were pledged to banks and financial institutions for securing banking facilities granted to the Group's subsidiaries.

16. Contingent liabilities

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Corporate guarantees given by the Company in respect of banking facilities of its subsidiary companies	<u>10,000</u>	<u>3,500</u>

17. Commitments*(i) Commitments under operating leases*

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Less than one year	–	169
Between one and five years	<u>240</u>	<u>141</u>
	<u>240</u>	<u>310</u>

(ii) Capital commitments

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Contracted for	<u>–</u>	<u>1,421</u>

18. Related party transactions

	Unaudited six months ended	
	30 September 2002 HK\$'000	30 September 2001 HK\$'000
Design fee income	<u>810</u>	<u>–</u>

- (i) This represents amount receivable from Proactive Medicare Enterprise (Hong Kong) Limited ("Proactive Medicare") for design services provided by the Group. Mr. Wong Yao Wing, Robert, a director of the Company, is a director and a beneficial shareholder of Proactive Medicare.

19. Notes to the condensed consolidated cash flow statements

- (i) Reconciliation of profit from ordinary activities before taxation to net cash inflow from operating activities:

	Unaudited	
	Six months ended	
	30 September	30 September
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from ordinary activities before taxation	8,624	6,767
Interest income	(105)	(1)
Interest expenses	122	–
Depreciation and amortization	444	84
Increase in accounts receivable	(1,107)	(6,285)
Increase in deposits, prepayments and other receivables	(1,101)	(4)
Increase in deferred project income	(3,415)	–
Increase/(decrease) in accrued expenses and other payable	1,963	(188)
	<u>5,425</u>	<u>373</u>
Net cash inflow from operating activities	<u>5,425</u>	<u>373</u>

- (ii) Analyses of changes in financing

	Share	Share	Merger	Retained	Unaudited
					capital
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	total
					<i>HK\$'000</i>
As at 1 April 2002	109	–	5,816	6,633	12,558
Cash flows from financing	4,691	10,887	(191)	(4,000)	11,387
Profit for the period	–	–	–	7,219	7,219
	<u>4,800</u>	<u>10,887</u>	<u>5,625</u>	<u>9,852</u>	<u>31,164</u>
As at 30 September 2002	<u>4,800</u>	<u>10,887</u>	<u>5,625</u>	<u>9,852</u>	<u>31,164</u>

- (iii) Analysis of cash and cash equivalents:

	Unaudited	
	six months ended	
	30 September	30 September
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks maturing within three months of placement	21,117	136
Less: Pledged bank deposits	(10,000)	–
	<u>11,117</u>	<u>136</u>
Bank overdrafts	(10,726)	–
	<u>391</u>	<u>136</u>
Cash and cash equivalents in the unaudited condensed consolidated cash flow statements	<u>391</u>	<u>136</u>

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the three months and six months ended 30 September 2002, turnover of the Company amounted to approximately HK\$10,055,000 and HK\$13,189,000 respectively, as compared to approximately HK\$7,254,000 and HK\$9,773,000 for the corresponding periods last year. Turnover for the six months period increased as there were more new projects undertaken.

The Company posted a net profit of approximately HK\$6,346,000 and HK\$7,219,000 for the three months and six months under review, as compared to the net profit of approximately HK\$4,980,000 and HK\$5,685,000 for the period of the previous year. The increase in net profit is due to new projects undertaken as a result of the increased marketing effort during the period.

Liquidity and financial resources

As at 30 September 2002, the net current assets of the Group were at a healthy level of HK\$21,566,000 (31 March 2002: HK\$10,773,000). Out of the current assets, HK\$21,117,000 (31 March 2002: HK\$5,355,000) were cash and cash equivalent.

As at 30 September 2002, bank overdrafts balance amounted to HK\$10,726,000 (31 March 2002: HK\$3,502,000).

The Group's current ratio as at 30 September 2002 was 232%. (31 March 2002: 289%). In addition, the Group did not obtain any long term borrowing other than bank overdraft. The Management is confident that the Group is at a healthy financial position to maintain its daily business operation.

Capital structure

Up to 30 September 2002, the Group are mainly financed by equity, it has raised approximately HK\$15,387,000 in aggregate through share placement and initial public offer. In addition, the Group has obtained finance from bank borrowings in the form of bank overdraft amounted to HK\$10,726,000.

The bank overdrafts are charged at fixed interest rates.

Foreign exchange risk and interest rate risk

The majority of the Group's income and expenses are denominated in Hong Kong Dollar while a relatively small portion of the operating expenses are denominated in Renminbi or United States Dollar.

Up to 30 September 2002, there are no borrowings denominated in foreign currency. The Management is of the opinion that the Group has a relatively low exposure to interest rate risk and foreign exchange risk. As a result, the Group has not used any financial instruments for hedging against fluctuations in interest rate nor foreign exchange.

Prospect

The Market Place

The growth of the world economy in 2001 featured significant slowdowns, with various developed countries plunging into economic recessions or economic downturns synchronously. Against this context, China's economic expansion continued in 2001, although decelerating to 7.3 percent from 8 percent in 2000. Now it seems to be picking up speed again. Second quarter 2002 saw GDP growth tick up to 8 percent year-over-year, following 7.6 percent in the first quarter. Since China remains at its middle stage of industrialization, therefore, consumer demand is being upgraded from "food, clothing and utilities" to "housing and travel" and from material demands to service and spiritual demands. In fact, housing construction and corresponding elements of real estate industry is one of the major sectors associated with the upgrading of the consumption structure of one economy, therefore the Group's main market place, China. As a result, we believe China's internal market provides numerous rooms for the development of cyber villages as well as the demands on smart home product.

Viewing of the above fact, the Group continued to implement aggressive marketing strategies to promote the business in the provision of residential intranet design and software application consulting services in China.

With regard to the revenue the Group is exploring the best use of its IT professional teams, Sales teams as well as its Directors' extensive property experiences. The Group expects there will be considerable growth in its sales volume. Besides, during the period under review, the Group not only completed the development of i-Panel V3 Prototype but also received sales contracts of i-Panel V3. It also expects there will be growth in the demands of our i-Panel in the market place.

OTHER RELEVANT INFORMATION

Staff policy

The Group believes that human resources are the most valuable assets of all, and is committed to provide a friendly and stimulating working environment for performing staff members. Remuneration of employees is determined on a merit basis with no regard to sex, age or disability of employees. On-the-job training is provided to staff members where necessary. As at 30 September 2002, the Group employed, excluding Directors, a total of 10 (31 March 2002: 9) full-time employees all of whom are based in Hong Kong.

A Pre-IPO Share Option Scheme and a Post-IPO Share Option Scheme were adopted pursuant to written resolutions passed by the sole shareholder of the Company on 5 July 2002. Pursuant to the Share Option Schemes, employees including Directors of the Group; are entitled to be granted options to subscribe for shares in the Company. Details of the granting of the share options are set out below.

(i) **Pre-IPO Share Option Scheme**

Pursuant to the Pre-IPO Share Option Scheme, the principal terms of which were set out in the section headed “Share Option Schemes” on Appendix IV of the Prospectus, there were 48,000,000 share options granted to the grantees. Details of which are as follows:

	Number of share options outstanding at 30 September 2002	Exercise price per Share	Exercise period
Pre-IPO Share Option Scheme	48,000,000	HK\$0.14	5 July 2002 to 4 July 2012

A total number of 48,000,000 options were granted to the grantees on 5 July 2002 under the Pre-IPO Share Option Scheme. Up to 30 September 2002, no options under the Pre-IPO Share Option Scheme have been exercised.

(ii) **Post-IPO Share Option Scheme**

Pursuant to written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section headed “Share Option Schemes” on Appendix IV of the Prospectus. Up to 30 September 2002, no option has been granted by the Company pursuant to such share option scheme.

**COMPARISON OF THE BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS WITH
ACTUAL BUSINESS PROGRESS**

Business objective as stated in the Prospectus dated 30 July 2002	Actual Business Progress
<i>Data operating centre:</i> Identify a data centre in Hong Kong to relocate the Group’s servers and networks equipment; and upgrade the Group’s existing servers and related facilities to meet with increasing demand on data flow as more projects are expected to be completed.	<i>Data operating centre:</i> Several feasibility reports are discussed towards the establishment of a data centre in Hong Kong or China. The establishment of a data centre in Hong Kong has been set aside because of the cost and the Management is now exploring a data centre either in Beijing or Shanghai where there are skilled human resources and are the major cities and fast growing cities in China. The Group’s existing servers and related facilities has been upgraded meeting with increasing demand on data flow.

Business objective as stated in the Prospectus dated 30 July 2002	Actual Business Progress
<p><i>i-Panel design and prototyping:</i> Complete the design and modification of i-Panel version 3.0 and commence to manufacture and launch version 3.0 for i-Panel. Engage a designer to design and outlook of i-panel version 3.0 and contract a manufacturer to prototype i-Panel version 3.0.</p>	<p><i>i-Panel design and prototyping:</i> Completion of the i-Panel V.3 design during September 2002 and commence to manufacture in mid September 2002.</p>
<p><i>Research and development and software development:</i> Identify appropriate software vendor to collaborate the development of e-property management software application;</p> <p>Identify suitable hardware and network equipment compatible with the Group's e-property management software;</p> <p>Identify and engage PRC technical partners to outsource software installation works;</p> <p>Identify and establish business association with other service or information providers; and</p> <p>Commence to conduct research and development on the application of existing skillset, technical know-how and products in other emerging market.</p>	<p><i>Research and development and software development:</i> A due diligence study is carried out with a potential software vendor for a period of three months;</p> <p>Under negotiates a US base company to provide health application and health content.</p> <p>Under negotiates a hardware vendor in Shanghai, PRC for further production of i-Panel.</p> <p>In order to perform the R&D functions systematically, a bi-functional R&D team is set up internally in September 2002 as to continue the tasks below:–</p> <p>Identify suitable hardware and network equipment compatible with the Group's e-property management software;</p> <p>Identify and engage PRC technical partners to outsource software installation works;</p> <p>Identify and establish business association with other service or information providers; and</p> <p>Conduct research and development on the application of existing skillset, technical know-how and products in other emerging market.</p>

Business objective as stated in the Prospectus dated 30 July 2002	Actual Business Progress
<p><i>Sales and marketing:</i> Commence to identify and seek strategic partnership with telecommunication companies and cable TV operators in the PRC;</p> <p>Engage a third party to promote and market its environmentally friendly household products through its customers' Residential Intranet;</p> <p>Target small-scale property developers to market the Group's products;</p> <p>Continue to promote and educate the public and target customers of the Group about Smart Home concept;</p> <p>Organise one symposium in the PRC to promote the Group's awareness with a prime focus in Shanghai;</p> <p>Expected to serve 30,000 household units in the PRC; and</p> <p>Explore different market opportunities in the application of existing skillset, technical know-how and products.</p>	<p><i>Sales and marketing:</i> Under-negotiation with a ISP in PRC China;</p> <p>Under-negotiation with an international property management company and a property agent to promote and market its environmentally friendly household products through their customers' Residential Intranet;</p> <p>Participate in a symposium, The China Property Investment and Management Summit 2002, in PRC Shanghai as to promote the Group's awareness as well as the Group's product i-Panel V.3;</p> <p>Currently, the Group continues to target small-scale property developers to promote and educate the public especially potential customers of the Group's products;</p> <p>Under-discussion with a large property developer in which the project itself has approximately 30,000 household units be served; and</p> <p>It is also contributed by our sales team as their effort by liaison with PRC provisional government bodies and hospitals (especially in Shanghai and Beijing) in exploring our i-Panel in a new market sector, Health and Medical market sector, several educational and promotional activities will be emphasized in this new sector.</p>
<p><i>Resources deployment:</i> Recruit two system engineers dedicated to the development of e-property management software;</p> <p>Recruit one staff member dedicated to the sales and marketing activities to promote the Group's e-property management software application; and</p> <p>Recruit one staff member dedicated to the finance and administration of the Group's overall business.</p>	<p><i>Resources deployment:</i> None of the appointment of new staffs in various fields of the Group during the current period. Since the Group listed in mid August and the Group advertised the recruiting advertisements in late August. Up to the date, the Group is still on the process of recruiting system engineers, sales & marketing staffs, and an accounting staff into the Group through advertisements.</p>

USE OF PROCEEDS

The net proceeds from the public listing had been applied in the following areas:

	For the six months ended 30 September 2002	
	Budgeted HK\$ million	Actual HK\$ million
Data operating centre	1.00	1.00
i-Panel design and prototyping	1.00	1.00
Research and development and software development	2.00	2.00
Sales and marketing	1.20	0.58
Human resources development	0.50	–
Total	<u>5.70</u>	<u>4.58</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30 September 2002, the interests of the directors and chief executive of the Company in the shares of the Company and its associated corporations (within the meaning of the securities (Disclosure of Interests) Ordinance (“SDI Ordinance”), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

A. Interest in the Company

Name of director	Personal Interests	No. of shares held		Other Interests
		Family Interests	Corporate Interests	
Ms. Wong Yuen Yee (<i>note 1</i>)	–	–	52,320,000	–
Mr. Wong Kwok Sing (<i>note 1</i>)	–	–	52,320,000	–
Mr. Lam Shiu San (<i>note 1</i>)	–	–	11,904,000	–
Ms. Wu Wai Yee (<i>note 2</i>)	–	–	3,600,000	–
Ms. Chow Wai Man (<i>note 3</i>)	912,000	–	–	–

Note:

- Each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing and Mr. Lam Shiu San respectively owns such Shares through Multiturn Trading Limited, which is beneficially owned by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Chow Kam Wing and Mr. Lam Shiu san as to 31%, 31%, 31% and 7% respectively.
- Winly Group Ltd owns 3,600,000 Shares and is owned by Ms. Wu Wai Yee, Annis and independent non-executive Director, and Ms. To Po Yim in equal shares. Each of Ms. Wu Wai Yee and Ms. To Po Yim is deemed to be interested in 3,600,000 Shares, representing approximately 0.75% interests in the Company under SDI Ordinance.
- Ms. Chow Wai Man, Grace is an independent non-executive Director.

Save as disclosed above, as at 30 September 2002, none of the directors and chief executive of the Company or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rues, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, as at 30 September 2002, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors 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 corporate, and none of the directors and chief executive of the Company 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interest disclosed herein in respect of the directors and chief executive of the Company or their respective associates, the register of substantial shareholders maintained under the section 16(1) of the SDI Ordinance shows that as at 30 September 2002, the Company had the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name	Number of shares	Percentage of shareholding
Multiturn Trading Limited (<i>Note 1</i>)	168,864,000	35.18%
Rexy Investment Limited (<i>Note 2</i>)	57,600,000	12.00%
Plotio Limited (<i>Note 2</i>)	57,600,000	12.00%
HyComm Wireless Limited (<i>Note 2</i>)	57,600,000	12.00%

Notes:

1. Multiturn Trading Limited is beneficially owned by Ms. Wong Yuen yee, Mr. Wong Kwok Sing, Mr. Chow Kam Wing and Mr. Lam Shiu San as to 31%, 31%, 31% and 7% respectively.
2. Rexy Investment Limited is wholly-owned subsidiary of HyComm Wireless Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company commenced trading on GEM on 30 September 2002. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2002.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Hantec Capital Limited (the "Sponsor"), as at 30 September 2002, neither of the Sponsor, nor any of its respective directors, employees or associates (as referred to in Note 3 to Rules 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsor agreement dated 29 July 2002 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's retained sponsor for the period from 12 August 2002 to 31 March 2005.

COMPETING INTERESTS

None of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

AUDIT COMMITTEE

The Company established an audited committee on 5 July 2002 with the written terms of reference in compliance with rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises Ms. Wu Wai Yee and Ms. Chow Wai Man, who are the independent non-executive Directors of the Company. The Group's unaudited condensed consolidated results for the six months ended 30 September 2002 have been reviewed by the audit committee, who was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

By Order of the Board
Wong Yuen Yee
Chairman

Hong Kong, 14 November 2002