



Third Quarterly Report
2002



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INNO-TECH HOLDINGS LIMITED

匯創控股有限公司*

(incorporated in Bermuda with limited liability)

**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 (the “Directors”) 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 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 of the Group for nine months ended 31 December 2002 amounted to approximately HK\$18,789,000, representing an increase of approximately 85% as compared to the corresponding period in 2001.

Net profit attributable to shareholders of the Group for the nine months ended 31 December 2002 amounted to approximately HK\$7,583,000 representing an increase of approximately 67% as compared to the corresponding period in 2001.

Earnings per share of the Group was approximately HK2.39 cents for the nine months ended 31 December 2002.

The Board does not recommend the payment of a dividend for the nine months period ended 31 December 2002.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2002

The board of directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2002, together with the unaudited comparative figures for the corresponding periods in 2001, are as follows:

	Unaudited three months ended 31 December		Unaudited nine months ended 31 December	
	2002	2001	2002	2001
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	5,600	340	18,789	10,113
Cost of sales	(1,134)	(534)	(2,526)	(1,627)
Gross profit/(losses)	4,466	(194)	16,263	8,486
Other revenue	–	–	105	1
Marketing and promotion expenses	(562)	(199)	(1,148)	(523)
Administrative expenses	(3,413)	(768)	(5,982)	(2,359)
Profit/(losses) from operations	491	(1,161)	9,238	5,605
Finance costs	(127)	–	(250)	–
Profit/(losses) from ordinary activities before taxation	364	(1,161)	8,988	5,605
Taxation	–	–	(1,405)	(1,083)
Profit/(losses) attributable to shareholders	364	(1,161)	7,583	4,522
Earnings/(loss) per share – basic	0.07 cents	(0.24 cents)	2.39 cents	1.40 cents

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 9 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 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 consolidated results of the Group for the three months and nine months ended 31 December 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 nine months ended 31 December 2002 and the corresponding periods in 2001.

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

The unaudited 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 Rules Governing the listing of Securities on the GEM of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of the quarterly 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 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 the design of residential intranet and e-property management software application design, development and installation services.

3. 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.

4. Earnings per share

The calculation of basic earnings per share for the three months and nine months ended 31 December 2002 is based on the unaudited consolidated profit attributable to shareholders for the three months and nine months ended 31 December 2002 of HK\$364,000 and HK\$7,583,000 respectively and on the weighted average of 480,000,000 shares and 317,636,364 shares respectively.

The calculation of basic loss per share for the three months ended 31 December 2001 is based on the unaudited consolidated losses attributable to shareholders for the three months ended 31 December 2001 of HK\$1,161,000 and on the weighted average of 480,000,000 shares as if the issued shares have been in existence since 1 April 2001.

The calculation of basic earnings per share for the nine months ended 31 December 2001 is based on the unaudited consolidated profit attributable to shareholders for the nine months ended 31 December 2001 of HK\$4,522,000 and on the weighted average of 317,636,364 shares 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.

5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2002 (2001: Nil).

6. Reserves

	Merger reserves HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	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 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	–	(11,077)	–	(11,077)
Profit for the period	–	–	7,583	7,583
As at 31 December 2002	5,625	11,303	10,216	27,144

REVIEW AND OUTLOOK

Financial performance

For the three months and nine months ended 31 December 2002, turnover of the Group amounted to approximately HK\$5,600,000 and HK\$18,789,000 respectively, as compared to approximately HK\$340,000 and HK\$10,113,000 for the corresponding periods in 2001.

The Group posted net profits of approximately HK\$364,000 and HK\$7,583,000 for the three months and nine months ended 31 December 2002, as compared to the net losses of approximately HK\$1,161,000 for the corresponding three months period and net profit of HK\$4,522,000 for the corresponding nine months period in 2001 respectively. The increases in turnover and net profits were primarily due to relevant new projects undertaken by the Group.

Business Review

The Group maintained to provide residential intranet design and e-property management software application development services and the product i-Panel V3 was successfully introduced to our existing customers and was expected steep gains in coming year.

The Group's business development proceeds along its business strategy: expanding the revenue base of existing business by enlarging the Group's clientele, adding relevant new products and services through enhancing and expanding the functionality of the Group's e-property management software application and the i-Panel; and exploring new business opportunities by establishing business alliances.

During the fourth quarter of 2002, the Group made enquiries with real estate agents together with internet service providers ("ISP") in the Peoples' Republic of China (the "PRC"). The Group has invited them to join as business partners in the development of cyber villages in the PRC. Currently, one real estate agent and one ISP have shown their strong interest in the Group's services and the i-Panel. They believe that through business alliance with the Group, they could be more competitive in the residential property market.

Business outlook

The Company anticipates a bright future in the PRC market. In the PRC, during the first three quarters of 2002, fixed assets investment increased by 21.8% year-on-year to RMB2,584 billion and investment in real estate rose by 29.4% to RMB486 billion (Sources: JonesLang Lasalle: Greater China Property Index – October 2002). The Directors consider that the sustaining economic growth in the PRC will bring about an increasing tendency for middle-income families to purchase residential property for own use as the family disposal income increase. PRC property developers are fully aware of the cyber village and smart home concept. Accordingly with the gradual acceptance of such concept by the middle-income families, residential intranet and e-property management services would become an important feature to be included in newly developed residential buildings.

OTHER RELEVANT INFORMATION

(i) Pre-IPO share option scheme of the Company

Pursuant to the Pre-IPO share option scheme of the Company (the “Pre-IPO Share Option Scheme”), a summary of the principal terms of which is set out in the section headed “Share Option Schemes” in Appendix IV of the Prospectus. A total number of 48,000,000 options were granted to the grantees on 5 July 2002, up to 31 December 2002, no options under the Pre-IPO Share Option Scheme have been exercised. Details of which are as follows:

	Number of share options outstanding at as 31 December 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

(ii) Post-IPO share option scheme of the Company

Pursuant to a written resolution of 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” in Appendix IV of the Prospectus. Up to 31 December 2002, no option has been granted by the Company pursuant to such share option scheme.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTEREST IN SECURITIES

As at 31 December 2002, the interests of the Directors and the 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	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other 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, Annis (<i>Note 2</i>)	–	–	3,600,000	–
Ms. Chow Wai Man, Grace (<i>Note 3</i>)	912,000	–	–	–

Notes:

1. Each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing and Mr. Lam Shiu San respectively owns his/her shares of the Company (“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.
2. Winly Group Ltd. owns 3,600,000 Shares and is owned by Ms. Wu Wai Yee, Annis, an 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.
3. Ms. Chow Wai Man, Grace is an independent non-executive director.

Save as disclosed above, as at 31 December 2002, none of the Directors and the 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 Rules, 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 of the Company, as at 31 December 2002, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors 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 the 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 the 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 31 December 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. Remy Investment Limited is wholly-owned by Plotio Limited, which is wholly-owned by HyComm Wireless Limited, an independent third party whose shares are listed on the main board of the Stock Exchange.

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

The shares of the Company commenced trading on GEM on 12 August 2002. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2002.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Hantec Capital Limited (the "Sponsor"), as at 31 December 2002, neither 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, Annis and Ms. Chow Wai Man, Grace, who are the independent non-executive directors. The Group's unaudited results for the nine months ended 31 December 2002 have been reviewed by the audit committee, who was of the opinion that the 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
Inno-Tech Holdings Limited
Wong Yuen Yee
Chairman

Hong Kong, 14 February 2003