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First Quarterly Report 2003
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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

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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.

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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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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 of the Group for the three months ended 30 June 2003 was approximately HK\$6,960,000 (2002: HK\$3,134,000), representing an increase of approximately 122% as compared to the corresponding period of last year.

Net profit attributable to shareholders amounted to approximately HK\$933,000 (2002: HK\$874,000), representing an increase of approximately 6% as compared to the corresponding period of last year.

Basic earning per share was HK0.19 cents (2002: HK0.22 cents), representing a decrease of approximately 13% as compared to the corresponding period of last year.

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2003.

UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2003

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 (collectively the “Group”) for the three months ended 30 June 2003, together with the unaudited comparative figures for the corresponding period in 2002, are as follows:

		For the three months ended 30 June 2003	
		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	6,960	3,134
Cost of sales		(1,545)	(1,012)
		<hr/>	<hr/>
Gross profit		5,415	2,122
		<hr/>	<hr/>
Other revenue		79	30
Marketing and promotion expenses		(1,466)	(168)
Administrative expenses		(2,728)	(898)
		<hr/>	<hr/>
Profit from operations		1,300	1,086
Finance costs		(189)	(46)
		<hr/>	<hr/>
Profit before taxation		1,111	1,040
Taxation	3	(178)	(166)
		<hr/>	<hr/>
Net profit attributable to shareholders		933	874
		<hr/>	<hr/>
Earning per share – basic	4	0.19 cents	0.22 cents
		<hr/>	<hr/>

Notes to the Income Statement:

1. Basis of preparation

The unaudited consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March of each year prepared on the basis of merger accounting.

The unaudited consolidated results of the Group have been prepared in accordance with Statements of Standards Accounting Practice issued by the Hong Kong Society of Accountants, accounting principal generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the disclosure requirements of the Listing Rules of the Growth Enterprise Market (“GEM”) (“GEM Listing Rules”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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. Taxation

Provision for Hong Kong profits tax is calculated at 16% (2002: 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 each of the three months ended 30 June is based on net profit attributable to the shareholders of HK\$933,000 (2002: HK\$874,000) and on the 480,000,000 shares of the Company (2002: 384,000,000 shares).

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

5. Interim dividend

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2003.

6. Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	10,643	5,625	10,196	26,464
Profit for the period	—	—	933	933
	<u>10,643</u>	<u>5,625</u>	<u>11,129</u>	<u>27,397</u>
At 30 June 2003	10,643	5,625	11,129	27,397

FINANCIAL REVIEW

The Group has generated revenue of approximately HK\$6,960,000. This represented a growth of approximately 122% in revenue as compared to the corresponding period in the previous year.

During the period under review, the administrative, marketing and promotion expenses accounted for most of the operating expenses. The administrative expenses comprised primarily salaries and allowances. The marketing and promotion expenses amounted to approximately HK\$1,466,000 as compared to approximately HK\$168,000 in the corresponding period in the previous year, which primarily comprised marketing, project and promotion and business trip expenses.

For the period under review, the Group financed its operations with its own working capital and an overdraft facility for a limit of HK\$12,000,000 granted by a bank to one of the Company's subsidiary in Hong Kong. As of 30 June 2003, the Group had total assets of approximately HK\$53,807,000, including cash and bank balances of approximately HK\$10,180,000. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

BUSINESS REVIEW

During the period under review, both the Guangdong province and Hong Kong have had an outbreak of severe acute respiratory syndrome (“SARS”). Most of the property developers postponed sales of property units or promotional campaign. However, the Directors believe that the impact of SARS on the Group’s business is only temporary and expect that the Group’s business would resume back to normal by the second quarter of the Group’s financial year. Besides, the Directors treated this as a double-edge sword and the Company is taking a more proactive attitude to expand its market to medical and educational sectors.

The Group continues to mainly engage in the provision of intranet design for residential communities and e-property management software consultancy service with the objective to facilitate property developers to established a comprehensive cyber village which enable the communities with various emerging applications and evolving technologies. Given the same concept as the Group’s services in the field of e-property management, the Group expands its business coverage to the educational sector in Hong Kong and medical sector in the Peoples Republic of China (the “PRC”).

During the period under review, the Group has diversified into provision of integrated hardware and software in the said sectors. Leveraging on the success in developing and marketing the value-added i-Panel in the real estate property field, the Directors has decided to penetrate into the above two market sectors utilising its expertise and experience in communication technology and familiarity with the latest market trend, along with the Group’s connections with partners in the PRC.

In June 2003, the Company had entered into a joint venture agreement with an American company to establish a company called Molecular Diagnosis Limited (“MDL”) to engage in the distribution and marketing of the diagnostic kits developed by Genaco Biomedical Products, Inc. (a listed company in the United States of America) based on the Luminex xMAP technology platform. Such platform can detect SARS virus as well as human respiratory syncytial virus, parainfluenzaviruses type 1 and type 3, enterovirus, influenza A and B virus, Adenovirus, Mycoplasma pneumoniae and Chlamydia pneumoniae. The Company is in the process of promoting the aforesaid diagnostic kits to hospitals and universities of Hong Kong. Through the press conference organised by MDL in June 2003, the Directors are of the view that it is the right time for such an expansion.

MARKET OUTLOOK

Despite the impact from SARS and domestic natural disasters, economists estimated that the gross domestic product (“GDP”) growth rate of the PRC for the first half of the year would exceed 8 percent, slightly higher than the same period of last year.

Like other industries, the property sector is inevitably influenced by SARS. However, the influence on it should not be greater than other sectors. Housing purchases might be delayed and developers may lengthened construction period due to the disease, but properties are a sustainable commodity. As long as there is strong demand, the property sector will not be seriously affected. Due to PRC’s robust economic growth, housing demand could be maintained in long run. Besides, SARS could, in other way, offer customers to pay more attention to housing quality, valued added features and facilities in developments, which in return encourages property developers to implement concepts such as cyber village in their designs.

SARS also increases the awareness of public health, a PRC government official pledged at a press conference that the PRC government will increase funding for the restructuring of the public health care system and that the major projects of the restructuring would be completed within two years. The Health Ministry in the PRC is joining hands with the Ministry of Finance and the State Development and Reform Commission to organise the improvement of the national health infrastructure. The PRC government will establish state and local Centers of Disease Control (CDC) by the end of next year. Renminbi (“RMB”) 2.9 billion (about US\$362.5 million) and RMB1.7 billion (about US\$205 million), respectively, would be allocated to set up local and state CDCs. As such, the Directors are of the view that the PRC has targeted to improve its public health system and will become one of the major developments in the upcoming years.

The Group has always been focusing on the better living standard of the market it serves. It is not limited to serve the Group’s existing residential property market but also in the medical and educational sector. Through the provision of health software application, health content and educational software application within the communities that the Group serves. Leveraging on platforms that had already been set up in the property sector. Through the expansion of the Group’s services in these fast growing markets, the Directors believe that the Group should able to diversify its dependence on property market in the PRC which in return would be in the best interest of the Company and its shareholders as a whole.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 30 June 2003, the interests or short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, were as follows:

Name of Director	Interests in shares				% of the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Aggregate interests	
Ms. Wong Yuen Yee (<i>Note 1</i>)	–	–	52,320,000	52,320,000	10.90
Mr. Wong Kwok Sing (<i>Note 1</i>)	–	–	52,320,000	52,320,000	10.90
Mr. Lam Shiu San (<i>Note 1</i>)	–	–	11,904,000	11,904,000	2.48
Ms. Wu Wai Yee, Annis (<i>Note 2</i>)	–	–	3,600,000	3,600,000	0.75
Ms. Chow Wai Man, Grace (<i>Note 3</i>)	912,000	–	–	912,000	0.19

Notes:

- Each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing and Mr. Lam Shiu San respectively owns such shares of the Company 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 of the Company 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, Annis and Ms. To Po Yim is deemed to be interested in 3,600,000 shares of the Company, representing approximately 0.75% interests in the Company under the SFO.
- Ms. Chow Wai Man, Grace is an independent non-executive Director.

(A) Pre-IPO share option scheme

Pursuant to the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”), the principal terms of which were set out in the Company’s prospectus (the “Prospectus”) dated 30 July 2002, there were 48,000,000 share options granted to the grantees. Details of the pre-IPO share options granted to certain Directors are as follows:

Name of Director	Date of grant	No. of shares granted	Number of shares are exercisable	Number of share options outstanding as at 30 June 2003	Exercise price per Share	Exercise period
Ms. Wong Yuen Yee	5 July 2002	4,800,000	2,400,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Mr. Wong Kwok Sing	5 July 2002	4,800,000	2,400,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Mr. Wong Yao Wing, Robert	5 July 2002	4,800,000	2,400,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Mr. Lam Shiu San	5 July 2002	4,800,000	2,400,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012

The above options are personally held by the Directors. A total number of 48,000,000 options were granted to the grantees (including staffs and the directors of the Company) on 5 July 2002 under the Pre-IPO Share Option Scheme. Up to 30 June 2003, no options under the Pre-IPO Share Option Scheme have been exercised.

(B) Post-IPO share option scheme

Pursuant to a written resolution passed at 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 30 June 2003, no option has been granted by the Company pursuant to such share option scheme.

Save as disclosed above, as at 30 June 2003, none of the directors or their associates as well as the chief executive of the Group had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules. During the reporting period, there were no debt securities issued by the Group.

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

During the period under review, 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 corporate, and neither the directors and chief executive of the Company, nor any of their spouse 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

As at 30 June 2003, the following companies had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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 by Plotio Limited, which is wholly-owned by HyComm Wireless Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 5 July 2002 and details of which are set out in the note 20 to the financial statements as included in the annual report of the Company for the year ended 31 March 2003.

During the period under review, no options under the Share Option Scheme have been exercised.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2003.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Hantec Capital Limited (the "Sponsor"), as at 30 June 2003, 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 or their respective associates had any interest in any business which causes or may cause any significant competition with the business of the Group.

AUDIT COMMITTEE

The audit committee currently comprises two members, Ms. Wu Wai Yee, Annis and Ms. Chow Wai Man, Grace, who are the independent non-executive Directors of the Company. The Group's unaudited quarterly results for the three months ended 30 June 2003 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, 1 August 2003