



INNO-TECH HOLDINGS LIMITED

匯創控股有限公司*

(incorporated in Bermuda with limited liability)

FIRST QUARTERLY
2004 REPORT

INNO-TECH

INTELLIGENT
COMMUNITY
FOR MODERN
DAY LIVING

智能社區
時尚生活



* 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 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 (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM”) for the purpose of giving information with regard to Inno-Tech Holdings Limited (the “Company”). 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 for the three months ended 30 June 2004 amounted to approximately HK\$12,490,000, representing an increase of approximately 80% compared to the amount reported in the corresponding period in 2003.
- Net profit from ordinary activities attributable to shareholders amounted to approximately HK\$1,023,000 for the three months ended 30 June 2004 representing an increase of approximately 9% as compared to the amount reported in the corresponding period in 2003.
- Earnings per share was approximately HK0.21 cents.
- The Board does not recommend the payment of a dividend for the three months ended 30 June 2004.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Directors announce that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 30 June 2004 together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

		Unaudited three months ended 30 June	
	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
Turnover	2	12,490	6,960
Cost of sales		(7,830)	(1,545)
Gross profit		4,660	5,415
Other revenue		7	79
Marketing and promotion expenses		(325)	(1,466)
Administrative expenses		(2,037)	(2,728)
Profit from operations		2,305	1,300
Finance costs		(874)	(189)
Share of losses less profits of associates		(157)	–
Profit from ordinary activities before taxation		1,274	1,111
Taxation	3	(251)	(178)
Profit attributable to shareholders		1,023	933
Earning per share – basic	5	0.21 cents	0.19 cents

Notes:

1. Basis of consolidation

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 principals generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the disclosure requirements of the GEM Listing Rules.

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 17.5% (2003: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

4. Interim dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2004 (2003: Nil).

5. Earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to shareholders for the three months ended 30 June 2004 of HK\$1,023,000 (2003: HK\$933,000) and on the weighted average of 489,950,000 shares in issued (2003: 480,000,000 shares).

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

6. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 April 2003	10,643	5,625	–	10,196	26,464
Profit for the period	–	–	–	933	933
As at 30 June 2003	10,643	5,625	–	11,129	27,397
As at 1 April 2004	12,068	5,625	43	13,894	31,630
Profit for the period	–	–	–	1,023	1,023
As at 30 June 2004	12,068	5,625	43	14,917	32,653

REVIEW AND OUTLOOK

Review

The Group had recorded a turnover of approximately HK\$12,490,000 for the three months ended 30 June 2004, representing an increase of approximately 80% as compared to the corresponding period in 2003. Profit attributable to shareholders amounted to approximately HK\$1,023,000 in the first quarter of 2004, representing an increase of 9% as compared to the first quarter of 2003.

The average gross profit margin was approximately 37% for the three months ended 30 June 2004. Turnover from provision of residential intranet services mainly generated from the sale of i-Panel units amounted to approximately HK\$7,250,000. Average gross profit margin in respect of provision of residential intranet services is approximately 17% which is comparatively lower than that of approximately 67% in respect of provision of software application design services.

There had been a decrease of active service related marketing and promotional activities and business consultancy service which mainly accounted for the decrease in marketing and promotion expenses and administrative expenses.

For the period under review, the Group financed its operations with working capital generated from sales, banking facilities and the proceeds from the issuance of convertible bond as announced on 11 September 2003 and completed on 24 September 2003. As of 30 June 2004, the Group had total assets of approximately HK\$108,698,000 including cash and bank balances of approximately HK\$6,774,000. 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.

Outlook

As a software application provider, the Group will continue with its business of provision of intranet design for residential communities and e-property management software application consulting services based on the application of the i-panel and its integrated hardware and software in the People's Republic of China ("PRC"). In view of the continuous growth in the PRC and the recovery of the economy in Hong Kong, the Group remains optimistic about its business development in the long run.

The healthcare market in the PRC has been one with the fastest growth in the world exceeding 16% per annum. Since its accession into the World Trade Organisation, the central government of the PRC had and would continue to make significant reforms in the healthcare industry. This would create greater challenges for foreign player. To cope with these challenges, management will continue to evaluate further opportunities of developing its business into the medical field which the Group had commenced in the last quarter of 2003. It will introduce more value-added products by leveraging on its advanced technology and research prowess and paying close attention to market development in the medical field. It is also stated in the quarterly report of the Company for the three months ended 30 September 2003 and the announcement made by the Company dated 11 September 2003, the Group has recently evolved into the provision of integrated hardware and software in medical and other fields in both Hong Kong and the PRC. In line with the business objective of the Group and leveraging on the interactive functions of the latest version of the i-Panel, the formation of a joint venture offered the Group with an opportunity to achieve its business objective and at the same time enable the Group to further expand into the medical field which the Directors believe to be a sector with growth potential for the business of the Group.

The Group will endeavour to reinforce the well-established connection with its customers. The target is to strengthen and further increase the Group's market share which will in turn strengthen its foundation for future development and expansion.

SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 (the "Prospectus"), 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 as at 30 June 2004	Number of share options outstanding as at 30 June 2004	Exercise price per Share	Exercise period
Wong Yuen Yee	5 July 2002	4,800,000	3,600,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Wong Kwok Sing	5 July 2002	4,800,000	3,600,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Wong Yao Wing, Robert	5 July 2002	4,800,000	3,600,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Lam Shiu San	5 July 2002	4,800,000	3,600,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012

A total number of 48,000,000 options were granted to the grantees (including staffs and Directors) on 5 July 2002 under the Pre-IPO Share Option Scheme. Up to 30 June 2004, no options under the Pre-IPO Share Option Scheme have been exercised.

(ii) 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 head “Share Option Schemes” on Appendix IV of the Prospectus. Up to 30 June 2004, there were 47,570,000 share options granted to the grantees and up to 30 June 2004, there were 14,250,000 shares under the post-IPO Share Option Scheme have been exercised.

Details of the post-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 as at 30 June 2004	Number of share options outstanding as at 30 June 2004	Exercise price per Share	Exercise period
Wong Yuen Yee	6 Jan 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 Jan 2004 to 5 Jan 2014
Wong Kwok Sing	6 Jan 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 Jan 2004 to 5 Jan 2014
Wong Yao Wing, Robert	6 Jan 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 Jan 2004 to 5 Jan 2014
Lam Shiu San	6 Jan 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 Jan 2004 to 5 Jan 2014

Save as disclosed under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, as at 30 June 2004, 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 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.

INTERESTS OF THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2004, the interests (including interests in shares and short positions) of the Directors or chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”) which were notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) which were required pursuant to section 352 or the SFO to be entered in the register referred to in that section; or (c) were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Long positions in shares

Name of Director	Number of ordinary shares held				Approximate % of holding
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Ms. Wong Yuen Yee (<i>note 1</i>)	–	–	54,317,256	–	11.09%
Mr. Wong Kwok Sing (<i>note 1</i>)	–	–	54,317,256	–	11.09%
Mr. Wong Yao Wing, Robert (<i>note 1</i>)	–	–	54,317,256	–	11.09%
Mr. Lam Shiu San (<i>note 1</i>)	–	–	12,287,302	–	2.51%
Ms. Wu Wai Yee (<i>note 2</i>)	–	–	3,600,000	–	0.73%

Notes:

- Each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing 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. Wong Yao Wing, Robert, Mr. Lam Shiu San and Mr. Chow Kam Wing as to 30.9%, 30.9%, 30.9%, 6.99% and 0.31% respectively.
- Winly Group Ltd. owns 3,600,000 shares and is beneficially 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, representing approximately 0.73% interests in the Company under the SFO.

b. Long positions in the underlying shares of equity derivatives

Pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme adopted by the Company on 5 July 2002, certain Directors and senior management of the Company were granted share options to subscribe for shares, details of which as at 30 June 2004 were as follows:

Name of Directors	Nature of Interest	Number and description of equity derivatives	Number of underlying shares
Ms. Wong Yuen Yee	Personal	Pre-IPO Share Option to subscribe for 48,000,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,800,000
Mr. Wong Kwok Sing	Personal	Pre-IPO Share Option to subscribe for 48,000,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,800,000
Mr. Wong Yao Wing, Robert	Personal	Pre-IPO Share Option to subscribe for 48,000,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,800,000
Mr. Lam Shiu San	Personal	Pre-IPO Share Option to subscribe for 48,000,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,800,000
Ms. Wong Yuen Yee	Personal	Post-IPO Share Option to subscribe for 47,570,000 Shares in aggregation pursuant to the Post-IPO Share Option Scheme	4,757,000
Mr. Wong Kwok Sing	Personal	Post-IPO Share Option to subscribe for 47,570,000 Shares in aggregation pursuant to the Post-IPO Share Option Scheme	4,757,000

Name of Directors	Nature of Interest	Number and description of equity derivatives	Number of underlying shares
Mr. Wong Yao Wing, Robert	Personal	Post-IPO Share Option to subscribe for 47,570,000 Shares in aggregation pursuant to the Post-IPO Share Option Scheme	4,757,000
Mr. Lam Shiu San	Personal	Post-IPO Share Option to subscribe for 47,570,000 Shares in aggregation pursuant to the Post-IPO Share Option Scheme	4,757,000
Name of senior management of the Company	Nature of Interest	Number and description of equity derivatives	Number of underlying shares
Mr. Chow Kam Wing	Personal	Pre-IPO Share Option to subscribe for 48,000,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,800,000
Ms. Wong Yuen Man, Alice	Personal	Pre-IPO Share Option to subscribe for 48,000,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,800,000
Ms. Wong Yuen Man, Alice	Personal	Post-IPO Share Option to subscribe for 47,570,000 Shares in aggregation pursuant to the Pre-IPO Share Option Scheme	4,757,000

No option granted under the Pre-IPO and Post-IPO Share Option Scheme were cancelled or lapsed since the date of grant.

c. Short positions in shares

No short positions of the Directors and the chief executives of the Company in the shares of the Company and their associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

d. Short positions in the underlying shares of equity derivatives

No short positions of the Directors and the chief executives of the Company in the underlying shares of the equity derivatives of the Company and their associated corporations were recorded in the registered or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 of the GEM Listing Rules.

Save as disclosed above, as at 30 June 2004, none of the Directors or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, so far is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of SFO and/or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

a. Long positions in shares

Name	Number of shares	Percentage of shareholding
Multiturn Trading Limited (<i>Note 1</i>)	175,784,000	35.87%
Rexy Investment Limited (<i>Note 2</i>)	57,600,000	11.76%
Plotio Limited (<i>Note 2</i>)	57,600,000	11.76%
HyComm Wireless Limited (<i>Note 2</i>)	57,600,000	11.76%

Notes:

1. Multiturn Trading Limited is beneficially owned by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert, Mr. Lam Shiu San and Mr. Chow Kam Wing as to 30.9%, 30.9%, 30.9%, 6.99% and 0.31% respectively.
2. Rexy Investment Limited is a wholly-owned subsidiary of Plotio Limited, which is wholly-owned by HyComm Wireless Limited, a company listed on the Main Board of the Stock Exchange.

b. Long positions in the underlying shares of equity derivatives

Name	Nature of Interest	Number and description of equity derivatives	Number of underlying ordinary shares
Multiturn Trading Limited	Corporate	Pre-IPO Share Option to subscribe for 48,000,000 shares in aggregation pursuant to the Pre-IPO Share Option Scheme	24,000,000
Multiturn Trading Limited	Corporate	Post-IPO Share Option to subscribe for 47,570,000 shares in aggregation pursuant to the Post-IPO Share Option Scheme	19,028,000

Notes:

1. Multiturn Trading Limited is beneficially owned by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert, Mr. Lam Shiu San and Mr. Chow Kam Wing as to 30.9%, 30.9%, 30.9%, 6.99% and 0.31% respectively. Pursuant to the Pre-IPO Share Option Scheme, each of them was granted 4,800,000 shares.
2. No option granted under the Pre-IPO and Post-IPO Share Option Scheme was cancelled or lapsed since the date of the respective grants.

c. Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

d. Short positions in the underlying shares of equity derivatives

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30 June 2004, there was no person (other than the Directors or chief executive of the Company) so far as known to any of the Directors, who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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

On 8 October 2003 and 9 October 2003, the Company repurchased 2,000,000 shares at HK\$0.140 per share and 2,300,000 shares at HK\$0.148 per share respectively.

Save as disclosed above, 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 2004.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Hantec Capital Limited (the "Sponsor"), as at 30 June 2004, 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 rights 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 audit committee on 5 July 2002 with the written terms of reference in compliance with rules 5.28, 5.29 and 5.30 of the GEM Listing Rules. The audit committee currently comprises Ms. Wu Wai Yee, Annis and Mr. Wong Tak Leung, Charles, who are the independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's quarterly results for the three months ended 30 June 2004 have been reviewed by the audit committee, which is of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements and that adequate disclosure have been made.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied throughout the period of three months ended 30 June 2004 the minimum standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

By Order of the Board
Inno-Tech Holdings Limited
Wong Yuen Yee
Chairman

Hong Kong, 13 August 2004