



INNO-TECH HOLDINGS LIMITED
匯創控股有限公司*
(Incorporated in Bermuda with limited liability)



Intelligent Communities for Modern Day Living

智能社區 時尚生活

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Intelligent Communities

FIRST QUARTERLY REPORT 2005

* 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 directors of 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.

As at the date of this document, the directors of the Company are:

Executive Directors:

Ms. Wong Yuen Yee
Mr. Wong Kwok Sing
Mr. Wong Yao Wing, Robert
Mr. Lam Shiu San

Independent non-executive directors:

Ms. Wu Wai Yee, Annis
Mr. Wong Tak Leung, Charles
Ms. Ho Chui Yin, Liwina

HIGHLIGHTS

- Turnover for the three months ended 30 June 2005 amounted to approximately HK\$27,949,000 representing an increase of approximately 123% as compared to amount reported in the corresponding period in 2004.
- Net profit from ordinary activities attributable to shareholders amounted to approximately HK\$3,580,000 for the three months ended 30 June 2005 representing an increase of approximately 250% as compared to amount reported in the corresponding period in 2004.
- Earnings per share was approximately HK\$0.62 cents.
- The Board does not recommend the payment of a dividend for the three months ended 30 June 2005.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Directors announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2005 together with the unaudited comparative figures for the corresponding period in 2004 are as follows:

		Unaudited	
		three months ended	
		30 June	
		2005	2004
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	27,949	12,490
Cost of sales		(19,159)	(7,830)
Gross profit		8,790	4,660
Other revenue		146	7
Marketing and promotion expenses		(481)	(325)
Administrative expenses		(2,767)	(2,037)
Profit from operations		5,688	2,305
Finance costs		(1,173)	(874)
Share of losses of associates and jointly controlled entities		(145)	(157)
Profit from ordinary activities before taxation		4,370	1,274
Taxation	3	(790)	(251)
Profit attributable to shareholders		3,580	1,023
Earning per share – basic	5	0.62 cents	0.21 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 together with the Group's share of the results of its associates and jointly controlled entities.

The unaudited consolidated results of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards which includes all applicable Statements of Standards Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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 Listing Rules of the GEM.

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

2. Turnover

Turnover represents the amounts received and receivable for the provision of residential intranet, e-property management software application consulting services and sale of home-automation and other products.

3. Taxation

Provision for Hong Kong profits tax is calculated at 17.5% (2004: 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 2005 (2004: 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 2005 of HK\$3,580,000 (2004: HK\$1,023,000) and on the weighted average of 574,026,923 shares (2004: 489,950,000 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 <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
As at 1 April 2005	15,370	5,625	43	19,613	40,651
Profit for the period	–	–	–	3,580	3,580
Share issued for cash	1,680	–	–	–	1,680
Share issuance cost	(85)	–	–	–	(85)
As at 30 June 2005	16,965	5,625	43	23,193	45,826

REVIEW AND OUTLOOK

Review

The Group had a turnover of approximately HK\$27,949,000 for the three months ended 30 June 2005, with an increase of approximately 123% as compared to the corresponding period in last year. Profit attributable to shareholders reached approximately HK\$3,580,000 in the first quarter of 2005, representing an increase of 250% as compared to the first quarter of 2004.

The average gross profit margin was approximately 31% for the three months ended 30 June 2005.

For the period under review, the Group financed its operations with its own working capital, banking facilities and the placement of new shares. On 29 April 2005, the Company allotted and issued 42,000,000 shares of the Company of HK\$0.05 each at a cash consideration of HK\$2,100,000 for general working capital purpose. As of 30 June 2005, the Group had total assets of approximately HK\$146,920,000 including cash and bank balances of approximately HK\$41,160,000. 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

Looking ahead, the Group will continue to engage in the provision of intranet design for residential communities and e-property management software application consulting services based on the application of the i-Panel, Apbus products and its integrated hardware and software. The Group had recently participated in a home automation trade show in Beijing, China and enquiries were received from potential clients of Shanghai, Beijing and Hong Kong. Directors believe it will be the Group's major task to develop and strengthen the products of Apbus, widening and improving the sale channels of Apbus products in 2005. The management and staff team of the Group will strive for their best in meeting challenges and capture every business opportunities in China and Hong Kong markets.

SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme ("Pre-IPO Share Option Scheme") adopted on 5 July 2002, 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. Up to 30 June 2005, no options under the Pre-IPO Share Option Scheme have been exercised and there were 3,360,000 share options have been cancelled and non-exercised. The remaining 44,640,000 share options under the Pre-IPO Share Option Scheme will lapse on 4 July 2012.

(ii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted post-IPO share option scheme ("Post-IPO Share Option Scheme"). The Company may issue up to 4,800,000 shares, representing 10% of the issued share capital of the Company as the date of the commencement of dealings of the shares on the Stock Exchange. By an ordinary resolution passed at the Annual General Meeting of the Company on 22 July 2005, the shareholders approved the refreshment of the scheme limit, granting the directors the right to grant options to subscribe for up to 58,695,000 shares, representing approximately 10% of the issued share capital of the Company as at the date of the Annual General Meeting.

Up to 30 June 2005, there were 47,570,000 share options granted to the grantees and up to 30 June 2005, there were 14,250,000 share options under the Post-IPO Share Option Scheme have been exercised and no options has been cancelled. The remaining 33,320,000 share options under the Post-IPO Share Option Scheme will lapse on 5 January 2014.

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

As at 30 June 2005, the interests or short position of the Directors in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and Section 347 of the SFO (including interests or short positions which is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as required, pursuant to Rules 5.40 to 5.5 8 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange are as follows:

(a) *Interests in the Company*

Name of Director	Number of ordinary shares held					Percentage of the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Others Interests	Aggregate Interests	
Ms. Wong Yuen Yee (<i>Note 1</i>)	–	–	185,724,000	–	185,724,000	31.64%
Ms. Wong Kwok Sing (<i>Note 1</i>)	–	–	185,724,000	–	185,724,000	31.64%
Mr. Wong Yao Wing, Robert (<i>Note 1</i>)	–	–	185,724,000	–	185,724,000	31.64%
Mr. Lam Shiu San (<i>Note 1</i>)	–	–	185,724,000	–	185,724,000	31.64%
Ms. Wu Wai Yee, Annis (<i>Note 2</i>)	–	–	3,600,000	–	3,600,000	0.61%

Notes:

- The 185,724,000 Shares are held by Multiturn Trading Limited, which is beneficially owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert, and Mr. Lam Shiu San, respectively. Accordingly each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San is deemed to be interested in the 185,724,000 Shares held by Multiturn Trading Limited under the SFO.
- 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 share. Accordingly, Ms. Wu Wai Yee, Annis is deemed to be interested in the 3,600,000 Shares held by Winly Group Limited under the SFO.

Save as disclosed, as at 30 June 2005, none of Directors or chief executives of the Company has any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) *Pre-IPO Share Option Scheme*

Details of the Options granted to certain Directors pursuant to the Pre-IPO Share Option Scheme as at 30 June 2005 are as follows:

Name of Director	Date of grant	Number of Shares granted	Number of Shares exercisable as at the	Number of Options outstanding as at the	Exercise price per Share	Exercise Period
			Latest Practicable Date	Latest Practicable Date		
Ms. Wong Yuen Yee	5 July 2002	4,800,000	4,800,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Ms. Wong Kwok Sing	5 July 2002	4,800,000	4,800,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Mr. Wong Yao Wing, Robert	5 July 2002	4,800,000	4,800,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012
Mr. Lam Shiu San	5 July 2002	4,800,000	4,800,000	4,800,000	HK\$0.14	5 July 2002 to 4 July 2012

Up to the Latest Practicable Date, no share options under the Pre-IPO Share Option Scheme have been exercised. As at 30 June 2005, there were 3,360,000 share options have been cancelled and non-exercised.

(c) *Post-IPO share option scheme*

Details of the Options granted to certain Directors pursuant to the Post-IPO Share Option Scheme as at 30 June 2005 are as follows:

Name of Director	Date of grant	Number of Shares granted	Number of Shares exercisable as at the Latest Practicable Date	Number of Options outstanding as at the Latest Practicable Date	Exercise price per Share	Exercise Period
Ms. Wong Yuen Yee	6 January 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 January 2004 to 5 January 2014
Ms. Wong Kwok Sing	6 January 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 January 2004 to 5 January 2014
Mr. Wong Yau Wing, Robert	6 January 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 January 2004 to 5 January 2014
Mr. Lam Shiu San	6 January 2004	4,757,000	4,757,000	4,757,000	HK\$0.11	6 January 2004 to 5 January 2014

Up to 30 June 2005, there were 14,250,000 share options under the Post-IPO Share Option Scheme have been exercised, no share options have been cancelled.

Save as disclosed above, as at 30 June 2005, none of the Directors or their associates as well as the chief executives 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.

(d) *Directors' and chief executives' rights to acquire Shares or debt securities*

Save as disclosed above, as at 30 June 2005, 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 corporation, and neither the Directors and chief executives 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.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed hereunder, none of the Directors or chief executives of the Company is aware of any person who has any interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Section 324 of the SFO, to notify the Company and the Stock Exchange; or who is expected, directly or indirectly, to be 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 member of the Group:

Name	Number of shares	Percentage of shareholding
Multiturn Trading Limited (<i>Note 1</i>)	185,724,000	31.64%
Rexy Investment Limited (<i>Note 2</i>)	57,600,000	9.81%

Notes:

1. Multiturn Trading Limited is beneficially owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San, respectively, all of whom are executive Directors.
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.

Save as disclosed above, as at 30 June 2005, the Directors are not aware of any other person who had interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of SFO.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SPONSOR'S INTEREST

As at the Latest Practicable Date, the Company does not have any sponsor, the previous sponsor's agreement has expired on 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 terms of reference in compliance with Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises Ms. Wu Wai Yee, Annis, Mr. Wong Tak Leung, Charles, and Ms. Ho Chui Yin, Liwina 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 unaudited results for the three months ended 30 June 2005 have been reviewed by the audit committee, which is of the opinion that the unaudited consolidated financial statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements in Hong Kong and that adequate disclosures 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 2005 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.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exceeding than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 30 June 2005. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and required standard of dealings throughout the three months ended 30 June 2005.

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

Hong Kong, 12 August 2005.