



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

時尚生活

智能社區



Intelligent Communities for Modern Day Living

Intelligent Communities

\* For identification purposes only

Interim Report

2005

## **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.**

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*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 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 approximately HK\$52,433,000 for the six months ended 30 September 2005, representing a growth of approximately 75.7% from the corresponding period in 2004.
- Net profit attributable to shareholders amounted to approximately HK\$8,687,000, representing an increase of approximately 230.8% as compared to the corresponding period in 2004.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2005

The board (the “Board”) of directors (the “Directors”) of Inno-Tech Holdings Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2005 together with the unaudited condensed comparatives for the corresponding periods in 2004 are as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	<b>24,484</b>	17,355	<b>52,433</b>	29,845
Cost of sales		<b>(13,644)</b>	(11,623)	<b>(32,803)</b>	(19,453)
Gross profit		<b>10,780</b>	5,732	<b>19,570</b>	10,392
Other revenue		<b>138</b>	32	<b>284</b>	39
Marketing and promotion expenses		<b>(346)</b>	(746)	<b>(827)</b>	(1,071)
Administrative expenses		<b>(2,768)</b>	(1,940)	<b>(5,535)</b>	(3,977)
Profit from operations		<b>2,804</b>	3,078	<b>13,492</b>	5,383
Finance costs		<b>(1,436)</b>	(966)	<b>(2,609)</b>	(1,840)
Share of losses less profits of associates and a jointly controlled entity		<b>(146)</b>	(140)	<b>(291)</b>	(297)
Profit from ordinary activities before taxation	3	<b>6,222</b>	1,972	<b>10,592</b>	3,246
Taxation	4	<b>(1,115)</b>	(369)	<b>(1,905)</b>	(620)
		<b>5,107</b>	1,603	<b>8,687</b>	2,626
Minority interest		-	-	-	-
Profit attributable to Shareholders		<b>5,107</b>	1,603	<b>8,687</b>	2,626
Earning per share – basic	7	<b>0.80 cents</b>	0.32 cents	<b>1.50 cents</b>	0.53 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	<i>Notes</i>	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
<b>Non-current assets</b>			
Fixed assets	8	8,757	5,492
Intangible assets	8	28,689	26,005
Interest in associates	9	5,534	5,823
Interest in a jointly controlled entity	10	75	78
		<u>43,055</u>	<u>37,398</u>
<b>Current assets</b>			
Inventories	11	17,607	14,116
Trade and other receivables	12	52,351	47,041
Amount due from associates		8	8
Amount due from a jointly controlled entity		5	5
Pledged deposits		40,000	40,000
Cash and cash equivalents		2,279	1,504
		<u>112,250</u>	<u>102,674</u>
<b>Current liabilities</b>			
Short term bank loans and overdrafts	14	42,168	43,240
Trade and other payables	13	28,691	30,545
Current portion of obligations under finance leases		4,396	5,489
Taxation		2,991	953
		<u>78,246</u>	<u>80,227</u>
<b>Net current assets</b>		<u>34,004</u>	<u>22,447</u>
<b>Non-current liabilities</b>			
Convertible bonds	15	15,180	8,660
Bank loans	14	750	750
Deferred taxation		4,334	4,334
		<u>20,264</u>	<u>13,744</u>
		<u>56,795</u>	<u>46,107</u>
<b>Capital and reserves</b>			
Share capital	16	5,870	5,450
Reserves		50,925	40,651
		<u>56,795</u>	<u>46,101</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	Unaudited six months ended	
	30 September 2005 HK\$'000	30 September 2004 HK\$'000
Net cash inflow from operating activities	3,992	9,044
Net cash used in investing activities	(10,709)	(27,287)
Net cash used in financing activities	7,423	6,029
Increase/(decrease) in cash and cash equivalents	706	(12,214)
Cash and cash equivalents at beginning of the period	(21,526)	(10,079)
Cash and cash equivalents at the end of the period	(20,820)	(22,293)

### Analysis of cash and cash equivalents:

	Unaudited six months ended	
	30 September 2005 HK\$'000	30 September 2004 HK\$'000
Cash and cash equivalents in the condensed consolidated balance sheet	2,279	301
Bank overdrafts	(23,099)	(22,594)
Cash and cash equivalents	(20,820)	(22,293)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Unaudited					Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	
As at 1 April 2005	5,450	15,370	5,625	43	19,613	46,101
Share issued for cash	420	1,680	-	-	-	2,100
Share issuance cost	-	(93)	-	-	-	(93)
Profit for the period	-	-	-	-	8,687	8,687
As at 30 September 2005	<b>5,870</b>	<b>16,957</b>	<b>5,625</b>	<b>43</b>	<b>28,300</b>	<b>56,795</b>

	Unaudited					Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Capital redemption reserve HK\$'000	Retained Profits HK\$'000	
As at 1 April 2004	4,900	12,068	5,625	43	13,894	36,530
Profit for the period	-	-	-	-	2,626	2,626
As at 30 September 2004	<b>4,900</b>	<b>12,068</b>	<b>5,625</b>	<b>43</b>	<b>16,520</b>	<b>39,156</b>

*Notes:*

**1. Basis of preparation and accounting policies**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The unaudited condensed consolidated financial statements have been reviewed by the audit committee in accordance with rule 5.30 of the GEM Listing Rules.

The Group has applied the same principal accounting policies and methods of computation in the unaudited condensed consolidated financial statements as are applied in its annual financial statements for the year ended 31 March 2005. The principal accounting policies adopted are disclosed in the Group’s 2005 Annual Report dated 23 June 2005.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 2005 annual report.

**2. Turnover**

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

The Group’s turnover and operating profit are entirely derived from the design of residential intranet, provision of e-property management software application consulting services and trading of home-automation and other products in Hong Kong. Accordingly, the directors consider the analysis by business and geographical segments are not required.

**3. Profit from ordinary activities before taxation**

Profit from ordinary activities before taxation is arrived at after charging:

	<b>Unaudited</b>	
	<b>six months ended</b>	
	<b>30 September</b>	30 September
	<b>2005</b>	2004
	<b>HK\$’000</b>	<b>HK\$’000</b>
Finance cost		
Interest on bank advances wholly repayable within five years	<b>1,803</b>	1,052
Interest on convertible bond	<b>607</b>	502
Finance charges on obligations under finance lease	<b>199</b>	268
Auditor’s remuneration	<b>132</b>	261
Staff cost	<b>3,462</b>	2,915
Amortisation of intangible assets	<b>4,016</b>	2,636
Depreciation		
Owned assets	<b>624</b>	539
Assets held under finance leases	<b>120</b>	120
Operating lease charges in respect of office premises	<b>391</b>	118
Retirement costs	<b>126</b>	28
Average number of staff	<b>60</b>	12

#### 4. 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.

##### *Deferred taxation*

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

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2004 HK\$'000
Tax losses	–	–
Depreciation allowances in excess of related depreciation	<u>3,512</u>	<u>3,512</u>
	<b><u>3,512</u></b>	<b><u>3,512</u></b>

(a) The amount of taxation charged to the unaudited condensed consolidated income statement represent

	<b>Unaudited Six months ended 30 September 2005 HK\$'000</b>	2004 HK\$'000
Hong Kong profits tax	<b><u>1,905</u></b>	<b><u>620</u></b>

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates

	<b>Unaudited Six months ended 30 September 2005 HK\$'000</b>	2004 HK\$'000
Profit from ordinary activity before taxation	<b><u>10,883</u></b>	<u>3,543</u>
Calculated at a taxation rate of 17.5%	<b><u>1,905</u></b>	<b><u>620</u></b>

#### 5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: Nil).

#### 6. 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 5% of the employees’ basic salaries.

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



## 7. 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 2005 of approximately HK\$5,107,000 and HK\$8,687,000 respectively and on the weighted average of 586,950,000 shares and 580,523,770 shares respectively.

The calculation of basic earnings per share for the three months and six months ended 30 September 2004 is based on the unaudited condensed consolidated profit attributable to shareholders for the three months and six months ended 30 September 2004 of approximately HK\$1,603,000 and HK\$2,626,000 respectively and on the weighted average of 489,950,000 shares and 489,950,000 shares respectively.

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

## 8. Capital expenditure

	<b>Intangible assets HK\$'000</b>	<b>Fixed assets HK\$'000</b>
Net book value as at 1 April 2005	26,005	5,492
Additions	6,700	4,009
Depreciation/Amortisation	(4,016)	(744)
	<u>28,689</u>	<u>8,757</u>
Net book value as at 30 September 2005	<u>28,689</u>	<u>8,757</u>

## 9. Interest in associates

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Share of net assets	<u>5,534</u>	<u>5,823</u>

## 10. Interest in a jointly controlled entity

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Share of net assets	<u>75</u>	<u>28</u>

## 11. Inventories

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Finished goods	10,576	11,316
Spares and consumables	7,031	2,800
	<u>17,607</u>	<u>14,116</u>

## 12. Trade receivables and other receivables

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Trade receivables	39,765	31,954
Prepayments, deposits and other receivables	12,586	15,087
	<u>52,351</u>	<u>47,041</u>

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

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Current	29,026	13,759
Aged over 1 month but less than 3 months	10,739	11,468
Aged over 3 months	–	6,727
	<u>39,765</u>	<u>31,954</u>

Customers are generally granted with credit terms of 3 months.

## 13. Trade and other payables

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Bills payable	14,001	14,309
Accrued expenses and other payables	14,690	16,236
	<u>28,691</u>	<u>30,545</u>

#### 14. Bank loans and overdrafts

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Secured bank overdrafts	23,099	23,030
Secured bank loans	19,819	20,960
	<b>42,918</b>	<b>43,990</b>
	<b>Unaudited 30 September 2005 HK\$'000</b>	<b>Audited 31 March 2005 HK\$'000</b>
Within 1 year or on demand	42,168	43,240
After 1 year but within 2 years	750	750
After 2 years but within 5 years	—	—
	<b>42,918</b>	<b>43,990</b>

#### 15. Convertible Bonds

	<b>Unaudited 30 September 2005 HK\$'000</b>	Audited 31 March 2005 HK\$'000
Balance as at	<b>15,180</b>	<b>8,660</b>

There are two convertible bonds issued by the Company.

- (a) Convertible loan notes in the aggregate principal amount of HK\$8,000,000:

The convertible bonds which issued on 24 September 2004 are interest-bearing at 7.5% per annum and due for repayment on 24 September 2006. They carry the rights of conversion into the Company's ordinary shares at the conversion price of HK\$0.20 per share, subject to adjustment in accordance with the terms in the instrument constituting the convertible bonds at any time six months after 24 September 2003 up to the maturity date 30 September 2006. Unless previously redeemed and cancelled, the bonds will be redeemed at 116.5% of its principal amount on the maturity date. The redemption obligation is accrued over the bond period, and amounted to HK\$880,000 as at 30 September 2005.

During the period ended 30 September 2005, none of the convertible bond holders exercised their rights of conversion into the Company's ordinary shares.

- (b) Convertible loan notes in the aggregate principal amount of HK\$6,300,000:

The convertible bonds which issued on 12 August 2005 are interest-bearing at 7.5% per annum and due for repayment on 12 August 2008 the convertible bond holders have the right at any time on or during the period commencing from 15 May 2006 up to three Business Days before 12 August 2008, to convert any outstanding principal amount of the notes in whole or in part into the Company's ordinary shares at the conversion price of HK\$0.05 per share, subject to adjustment in accordance with the terms in the instrument constituting the convertible bonds at any time after 12 August 2005 up to the maturity date 31 July 2008.

During the period ended 30 September 2005, none of the convertible bond holders above exercised their rights of conversion into the Company's ordinary shares.

## 16. Share capital

	Number of shares '000	Amount HK\$'000
<b>Authorised</b>		
Ordinary shares of HK\$0.01 each	10,000,000	100,000
<b>Issued and fully paid</b>		
At 1 April 2005	544,950	5,450
Issuance of ordinary shares	42,000	420
At 30 September 2005	586,950	5,870

## 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 2005 HK\$'000	Audited 31 March 2005 HK\$'000
Within 1 year	-	269
After 1 year but within 5 years	723	-
	723	269

- (ii) Capital commitments

	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
Contracted for acquisition of equipment	-	420
Investment in subsidiary	-	8,075
	-	8,495

## 18. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the Board and audit committee on 14 November 2005.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL AND BUSINESS REVIEW

The Group's unaudited consolidated turnover amounted to approximately HK\$24,484,000 and HK\$52,433,000 for the three and six month periods ended 30 September 2005 respectively, an increase of approximately 41.1% and 75.6% when compared with the respective periods in 2004 (three and six month periods ended 30 September 2004: HK\$17,355,000 and HK\$29,845,000 respectively). The Group's unaudited consolidated profit attributable to shareholders amounted to approximately HK\$5,107,000 and HK\$8,687,000 respectively for the three and six month periods ended 30 September 2005, an increase of approximately 218.6% and 230.8% from the respective periods in 2004 (three and six month periods ended 30 September 2004: HK\$1,603,000 and HK\$2,626,000 respectively).

The Group's software applications solutions, i-Panel applications and ApBus products cover a comprehensive range of premier services and products to fulfil the various needs of residential communities. To attain the goal of becoming a full-fledged providers in modern building technology, the Group launched ApBus products to its high-end product portfolio.

ApBus is a new control network standard. It successfully combines the advantages of the common control networks (such as X-10, LonWorks and EIB) and become a highly reliable current loop network system. It not only can maintain a larger system capacity, but also a higher capability of protection against various forms of interference than any existing systems. ApBus uses a free topology wiring scheme that support star, tree and bus wiring which ensures control network affordable and easy to implement. All nodes on ApBus system are I.T. intelligent and user programmable. Through the application of Apbus system, it is now possible to set up a low budget control system serving all possible needs in home and office automation, such as control HVAC, lighting, home appliances, security access sensors. This new business stream is expected to provide a stable source of income of the Group in future.

In June 2005, the Group was awarded top ten recommended brand of home intelligent product in the PRC by 香港亞視通國際智能建築 “YST (H.K.) Information International Intelligent Building Magazine” and 中國智能家居行業聯盟. The Group also has been assessed and certified as fulfilling the requirements of ISO9001:2000 for the design and manufacture of home intelligent electronic control equipment including video door phones, light control modules, socket control modules and related home security alarm control processing units by SGS United Kingdom Limited in October 2005.

#### **Liquidity, financial resources and gearing ratio**

As at 30 September 2005, the net current assets of the Group were at a healthy level of approximately HK\$34,004,000 (31 March 2005: HK\$22,447,000). Out of the current assets as at 30 September 2005, approximately HK\$2,279,000 (31 March 2005: HK\$1,504,000) were cash and cash equivalents.

As at 30 September 2005, bank overdrafts balance amounted to approximately HK\$23,098,000 (31 March 2005: HK\$23,030,000).

The Group's current ratio as at 30 September 2005 was approximately 143% (31 March 2005: 128%). The Directors are confident that the Group is at a healthy financial position to maintain its daily business operation.

Net debt, that is total bank loans and convertible bonds less cash and cash equivalents and pledged deposits, as at 30 September 2005 was approximately HK\$15,819,000 (31 March 2005: HK\$11,146,000) and accordingly net debt gearing ratio (i.e. net debt over net assets) as at 30 September 2005 and 31 March 2005 were approximately 27.9% and 24.2% respectively.

### Capital structure

The analysis of the capital structure of the Group is as follows:

	<b>Maturity Profile</b>		<b>Total</b>
	<b>Due in 1 year</b>	<b>Due in 2-5 years</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings and overdrafts	42,168	750	42,918
Convertible bonds	8,880	6,300	15,180
	51,048	7,050	58,098

The bank borrowings and overdrafts are charged at floating interest rates.

The convertible bonds are charged at a fixed rate.

All the bank borrowings and overdrafts and convertible bonds are denominated in Hong Kong dollars.

### Material acquisition, disposal and significant investment

On 15 March 2004, the Company established Hua Lu Optical Transmission (Shenzhen) Co., Ltd. ("Hua Lu"), a wholly foreign owned enterprise in the PRC, to engage in the development, production and sale of optical fibre transmission devices and other electronic transmission devices and digital filter fibres. The transmission devices and filter lens can enhance the transmission of large volume information via the internet.

The investment proved to be not profitable unless with a further capital investment of approximately HK\$7,500,000 which the board considered not cost effective. Hence the board decided to dissolve Hua Lu. It was estimated that the dissolution would be completed in third quarter of 2005.

Apart from mentioned above, the Group has no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 September 2005.

## **Contingent liabilities**

The Group did not have any material contingent liabilities as at 30 September 2005.

## **Exposure to fluctuations in exchange rate**

During the six months ended 30 September 2005, the majority of the Group's income and expenses were denominated in Hong Kong dollar while an insignificant portion of expenses were denominated in Renminbi or United States dollar.

Up to 30 September 2005, there were no borrowings denominated in foreign currency. The management of the Company is of the opinion that the Group has insignificant exposure to interest rate risk and foreign exchange risk. As a result, the Group had not used any financial instruments for hedging against fluctuations in interest rate nor foreign exchange for the six months ended 30 September 2005.

## **Employee information**

As at 30 September 2005, the Group has 60 (2004: 12) full time employees; 15 in Hong Kong and 45 in the PRC with a total staff costs for the six months ended 30 September 2005 of approximately HK\$3,462,000 (2004: HK\$2,915,000).

Staff remuneration is reviewed by the Group from time to time depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance and contributions to staff's provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

## **PROSPECTS**

Looking ahead, the Directors believed that the newly developed home automation products ties up with construction companies and developers, the Company have good connection with both the developers and construction companies in the PRC, so the Group's home automation products shall be widely adopted in the domestic market in the PRC. As mentioned in last quarterly results reports, the Group will continue to develop new products and seek for new investment opportunities which will bring good return to the Company as well as its shareholders.

## **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 September 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 share holder of the Company on 5 July 2002, the Company adopted post-IPO share option scheme ("Post-IPO Share Option Scheme").

Pursuant to the shareholders' approval of refreshment of the Scheme Limited at the Annual General Meeting of the Company on 22 July 2005, the GEM Listing Committee of the Exchange conditionally approve, the listing of, and permission to deal in, new Shares of HK\$0.01 each in the share capital of the Company which may be issued upon exercise of the options to be granted under the Post-IPO Share Option Scheme on 17 August 2005. Capitalized terms used in this section have the same respective meanings as those defined in the circular of the Company dated 23 June 2005, unless otherwise stated.

Up to 30 September 2005, there were 47,570,000 share options and 57,200,000 share options granted to grantees on 6 January 2004 and 20 September 2005 respectively. 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 and 57,200,000 share options under the Post-IPO Share Option Scheme will lapse on 5 January 2014 and 19 September 2015 respectively.



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

As at 30 September 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 5.58 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> )	—	—	194,724,000	—	194,724,000	33.18%
Mr. Wong Kwok Sing ( <i>Note 1</i> )	—	—	194,724,000	—	194,724,000	33.18%
Mr. Wong Yao Wing, Robert ( <i>Note 1</i> )	—	—	194,724,000	—	194,724,000	33.18%
Mr. Lam Shiu San ( <i>Note 1</i> )	—	—	194,724,000	—	194,724,000	33.18%
Ms. Wu Wai Yee, Annis ( <i>Note 2</i> )	—	—	3,600,000	—	3,600,000	0.61%

#### Notes:

- The 194,724,000 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 194,724,000 Shares held by Multiturn Trading Limited under the SFO.
- Winy 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 Winy Group Limited under the SFO.

Save as disclosed, as at 30 September 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 September 2005 are as follows:

Name of Director	Date of grant	Number of shares options granted	Number of Shares exercisable as at the Latest Practicable Date	Number of shares options outstanding as at Latest Practicable Date	Exercise price per Share	Exercise Period
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
Mr. 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 September 2005, there were 3,360,000 share options have been cancelled and non-exercised.

(c) **Post-IPO share option scheme**

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

Name of Director	Date of grant	Number of share options granted	Number of Shares exercisable as at the Latest Practicable Date	Number of share options outstanding as at the Latest Practicable Date	Exercise price per Share	Exercise Period
Ms. 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
	20 Sep 2005	5,800,000	5,800,000	5,800,000	HK\$0.057	20 Sep 2005 to 19 Sep 2015
Mr. 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
	20 Sep 2005	5,800,000	5,800,000	5,800,000	HK\$0.057	20 Sep 2005 to 19 Sep 2015
Mr. 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
	20 Sep 2005	5,800,000	5,800,000	5,800,000	HK\$0.057	20 Sep 2005 to 19 Sep 2015
Mr. 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
	20 Sep 2005	5,800,000	5,800,000	5,800,000	HK\$0.057	20 Sep 2005 to 19 Sep 2015

Up to 30 September 2005, there were 14,250,000 share options under the Post-IPO Share Option Scheme granted on 6 January 2004 have been exercised, no share options have been cancelled.

Save as disclosed above, as at 30 September 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 September 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:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Multiturn Trading Limited ( <i>Note 1</i> )	194,724,000	33.18%
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 September 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 period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **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 six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 2005.

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

Hong Kong, 14 November 2005.