



**INNO-TECH HOLDINGS LIMITED**  
**匯創控股有限公司\***

(Incorporated in Bermuda with limited liability)

Stock Code: 8202



2006/07  
INTERIM REPORT

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Ms. Wong Yuen Yee (*Chairman*)

Mr. Wong Yao Wing, Robert  
(*Deputy Chairman*)

Mr. Wong Kwok Sing

Mr. Lam Shiu San

Mr. Wong Tak Leung, Charles \*

Ms. Ho Chui Yin, Liwina \*

Mr. Lai Ying Sum \*

\* *Independent non-executive Directors*

### **COMPLIANCE OFFICER**

Mr. Wong Yao Wing, Robert

### **AUTHORISED REPRESENTATIVES**

Mr. Wong Yao Wing, Robert

Ms. Wong Yuen Yee

### **COMPANY SECRETARY**

Ms. Wu Wai Yee, Annis

### **QUALIFIED ACCOUNTANT**

Ms. Wu Wai Yee, Annis

### **AUDIT COMMITTEE MEMBERS**

Mr. Wong Tak Leung, Charles  
(Chairman of audit committee)

Ms. Ho Chui Yin, Liwina

Mr. Lai Ying Sum

### **AUDITORS**

PCP CPA Limited

### **LEGAL ADVISERS TO THE COMPANY**

Troutman Sanders (*as to Hong Kong Laws*)

Conyers Dill & Pearman (*as to Bermuda Laws*)

### **PRINCIPAL BANKERS**

HSH Nordbank Hong Kong Branch

Equitable PCI BANK, INC.

Wing Lung Bank Limited

### **REGISTERED OFFICE**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Room 903

Tung Wai Commercial Building

109-111 Gloucester Road

Wanchai

Hong Kong

### **PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE**

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

### **HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services  
Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

### **COMPANY WEBSITE**

<http://www.it-holdings.com>

### **GEM STOCK CODE**

8202

## **HIGHLIGHTS**

- Turnover for the six months ended 30 September 2006 amounted to approximately HK\$17,723,000, representing a decrease of approximately 66.2% as compared to amount reported in the corresponding period in 2005.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$3,927,000 for the six months ended 30 September 2006.
- Loss per share amounted to HK1.17 cents for the six months ended 30 September 2006.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

The board of directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2006, together with comparative figures for the three months and six months ended 30 September 2005 are as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)
<b>Turnover</b>	2	<b>8,386</b>	24,484	<b>17,723</b>	52,433
Cost of sales		<u>(2,124)</u>	<u>(13,704)</u>	<u>(5,180)</u>	<u>(32,863)</u>
Gross profit		<b>6,262</b>	10,780	<b>12,543</b>	19,570
Other revenue		228	138	456	284
Marketing and promotion expenses		(476)	(346)	(606)	(827)
Administrative expenses		<u>(8,346)</u>	<u>(2,768)</u>	<u>(12,985)</u>	<u>(5,535)</u>
<b>(Loss)/profit from operations</b>		<b>(2,332)</b>	7,804	<b>(592)</b>	13,492
Finance costs		(1,288)	(1,436)	(2,585)	(2,609)
Share of losses of associates and jointly controlled entities		<u>(1)</u>	<u>(146)</u>	<u>(1)</u>	<u>(291)</u>
<b>(Loss)/profit from ordinary activities before taxation</b>	3	<b>(3,621)</b>	6,222	<b>(3,178)</b>	10,592
Taxation	4	<u>(513)</u>	<u>(1,115)</u>	<u>(749)</u>	<u>(1,905)</u>
<b>(Loss)/profit for the period</b>		<u><b>(4,134)</b></u>	<u>5,107</u>	<u><b>(3,927)</b></u>	<u>8,687</u>
Attributable to:					
Equity holders of the Company		(4,134)	5,107	(3,927)	8,687
Minority Interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/earnings per share					
- Basic	5	<u><b>(1.23 cents)</b></u>	<u>1.60 cents</u>	<u><b>(1.17 cents)</b></u>	<u>3.00 cents</u>
- Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Notes	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		10,223	9,374
Prepaid lease payments		5,765	5,768
Intangible assets	6	24,194	25,760
Interest in associates	7	5,236	5,237
		<u>45,418</u>	<u>46,139</u>
<b>Current assets</b>			
Inventories	9	7,625	8,918
Accounts receivable	10	42,766	39,894
Prepayments, deposits and other receivables		4,316	4,475
Amounts due from customers		10,920	8,520
Pledged deposits		25,000	25,000
Cash and cash equivalents		240	845
		<u>90,867</u>	<u>87,652</u>
<b>Current liabilities</b>			
Bank loans and overdrafts	12	30,518	30,862
Trade payables, accrued expenses and other payables	11	14,714	12,498
Bills payable		3,523	4,966
Amounts due to directors		9,078	7,349
Obligations under finance leases		–	814
Current taxation		1,551	1,242
Convertible notes		–	8,996
Other loan		9,320	–
		<u>68,704</u>	<u>66,727</u>
<b>Net current assets</b>		<u>22,163</u>	<u>20,925</u>
<b>Non-current liabilities</b>			
Bank loans	12	3,876	3,932
Convertible notes	13	6,085	6,060
Deferred taxation		4,499	4,499
		<u>14,460</u>	<u>14,491</u>
<b>Net assets</b>		<u>53,121</u>	<u>52,573</u>
<b>Capital and reserves</b>			
Share capital	14	7,262	6,702
Reserves		45,859	45,871
		<u>53,121</u>	<u>52,573</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Unaudited							Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Employee Compensation Reserve HK\$'000	Convertible Notes Reserve HK\$'000	Contributed Surplus HK\$'000	Capital Redemption Reserve HK\$'000	Retained Profits HK\$'000	
At 1 April 2005	5,450	15,370	-	-	5,625	43	19,613	46,101
Profit for the period	-	-	-	-	-	-	8,687	8,687
Issuance of shares	420	1,680	-	-	-	-	-	2,100
Share issuance cost	-	(93)	-	-	-	-	-	(93)
At 30 September 2005	<u>5,870</u>	<u>16,957</u>	<u>-</u>	<u>-</u>	<u>5,625</u>	<u>43</u>	<u>28,300</u>	<u>56,795</u>
At 1 April 2006	<u>6,702</u>	<u>24,445</u>	<u>1,462</u>	<u>442</u>	<u>5,625</u>	<u>43</u>	<u>13,854</u>	<u>52,573</u>
Loss for the period	-	-	-	-	-	-	(3,927)	(3,927)
Issuance of shares	560	3,920	-	-	-	-	-	4,480
Share issuance cost	-	(5)	-	-	-	-	-	(5)
At 30 September 2006	<u>7,262</u>	<u>28,360</u>	<u>1,462</u>	<u>442</u>	<u>5,625</u>	<u>43</u>	<u>9,927</u>	<u>53,121</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Unaudited	
	Six months ended	
	30 September	30 September
	2006	2005
	HK\$'000	HK\$'000
Net cash inflow from operating activities	2,457	3,992
Net cash used in investing activities	<u>(4,308)</u>	<u>(10,709)</u>
Net cash used in financing activities	<u>941</u>	<u>7,423</u>
Decrease/(increase) in cash and cash equivalents	(910)	706
Cash and cash equivalents at the beginning of the period	<u>(17,893)</u>	<u>(21,526)</u>
Cash and cash equivalent at the end of the period	<u><u>(18,803)</u></u>	<u><u>(20,820)</u></u>

### Analysis of cash and cash equivalents:

	Unaudited	
	Six months ended	
	30 September	30 September
	2006	2005
	HK\$'000	HK\$'000
Cash and cash equivalents in the condensed consolidated balance sheet	240	2,279
Bank overdrafts	<u>(19,043)</u>	<u>(23,099)</u>
Cash and cash equivalents	<u><u>(18,803)</u></u>	<u><u>(20,820)</u></u>



*Notes:*

## **1. Basis of preparation of the accounts**

The unaudited consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

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 2006. The principal accounting policies adopted are disclosed in the Group’s 2006 Annual Report dated 26 June 2006.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 2006 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 is 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.

### 3. (Loss)/profit from ordinary activities before taxation

(Loss)/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>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
Finance cost		
Interest on bank advances wholly repayable within five years	1,687	1,803
Interest on convertible note	875	607
Interest on other loan	17	–
Finance charges on obligations under finance lease	6	199
Auditors' remuneration	190	132
Staff cost	3,427	3,462
Amortisation of intangible assets	3,426	4,016
Depreciation		
Owned assets	1,203	624
Assets held under finance leases	–	120
Operating lease charges in respect of office premises	290	391
Provision for impairment of trade receivables	3,000	–
Retirement costs	154	126
	<u>          </u>	<u>          </u>

### 4. Taxation

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2005: 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</b>	Audited
	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
Tax losses	–	–
Depreciation allowances in excess of related depreciation	4,499	4,499
	<u>          </u>	<u>          </u>
	<u>4,499</u>	<u>4,499</u>

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	30 September
	<b>2006</b>	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax for the period		
– Hong Kong profits tax	<b>714</b>	1,905
Under provision in respect of prior year	<b>35</b>	–
	<u><b>749</b></u>	<u>1,905</u>

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	30 September
	<b>2006</b>	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from ordinary activity before taxation	<u><b>4,079</b></u>	<u>10,883</u>
Calculated at a taxation rate of 17.5%	<u><b>714</b></u>	<u>1,905</u>

## 5. (Loss)/earnings per share

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity holders for the three months and six months ended 30 September 2006 of approximately HK\$4,134,000 and HK\$3,927,000 (2005: profit of HK\$5,107,000 and HK\$8,687,000 respectively) and on the weighted average of 335,075,000 and 336,452,049 respectively (2005 (restated): 290,261,885 and 293,475,000 respectively) ordinary shares in issue during the period.

### (b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented for the three months and six months ended 30 September in 2006 and 2005 as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the period and the convertible notes are anti-dilutive.

**6. Capital expenditure**

	<b>Intangible assets</b>	<b>Fixed assets</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book value as at 1 April 2006	25,760	15,142
Additions	1,860	2,049
Depreciation/Amortisation	(3,426)	(1,203)
	<hr/>	<hr/>
Net book value as at 30 September 2006	<u>24,194</u>	<u>15,988</u>

**7. Interest in associates**

	<b>Unaudited 30 September 2006</b>	<b>Audited 31 March 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>5,236</u>	<u>5,237</u>

**8. Interest in a jointly controlled entity**

	<b>Unaudited 30 September 2006</b>	<b>Audited 31 March 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>-</u>	<u>-</u>

**9. Inventories**

	<b>Unaudited 30 September 2006</b>	<b>Audited 31 March 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods	5,795	6,624
Work in progress	1,743	139
Raw materials	87	96
Spares and consumables	-	2,059
	<hr/>	<hr/>
	<u>7,625</u>	<u>8,918</u>

## 10. Accounts receivable

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Trade receivables	45,666	39,795
Less: Provision for impairment of trade receivables	<u>(3,000)</u>	<u>–</u>
	<b>42,666</b>	39,795
Receivable from a jointly controlled entity	92	86
Receivables from associates	<u>8</u>	<u>13</u>
	<b><u>42,766</u></b>	<b><u>39,894</u></b>

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

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Current	22,860	14,979
Aged over 1 month but less than 3 months	10,288	13,285
Aged over 3 months	<u>9,518</u>	<u>11,531</u>
	<b><u>42,666</u></b>	<b><u>39,795</u></b>

Customers are generally granted with credit terms of 3 months.

## 11. Trade payables accrued expenses and other payables

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Trade payables	175	540
Amount due to a related company	1,493	1,493
Accrued expenses and other payables	<u>13,046</u>	<u>10,465</u>
	<b><u>14,714</u></b>	<b><u>12,498</u></b>

## 12. Bank loans and overdrafts

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Secured bank overdrafts	<b>19,043</b>	18,738
Secured bank loans	<b>15,351</b>	16,056
	<b><u>34,394</u></b>	<u>34,794</u>
	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Within 1 year	<b>30,518</b>	30,862
After 1 year but within 2 years	<b>119</b>	115
After 2 year but within 5 years	<b>417</b>	387
Over 5 years	<b>3,340</b>	3,430
	<b><u>34,394</u></b>	<u>34,794</u>

## 13. Convertible Notes

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Balance as at	<b><u>6,085</u></b>	<u>15,180</u>

Series of convertible notes issued by the Company:

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

The convertible notes issued on 24 September 2004 bore interest at 7.5% per annum and were due for repayment on 24 September 2006.

As at 24 September 2006, this series of the convertible notes was discharged and released.

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

The convertible notes issued on 12 August 2005 bear interest at 7.5% per annum and are due for repayment on 12 August 2008. The convertible note 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 notes at any time after 12 August 2005 up to the maturity date 31 July 2008.

During the period ended 30 September 2006, none of the convertible note holders above exercised their rights of conversion into the Company's ordinary shares.

**14. Share capital**

	<b>Number of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
<b>Authorised</b>		
Ordinary shares of HK\$0.02 each	<u>5,000,000</u>	<u>100,000</u>
<b>Issued and fully paid</b>		
At 1 April 2006	335,075	6,702
Issuance of ordinary shares	<u>28,000</u>	<u>560</u>
At 30 September 2006	<u>363,075</u>	<u>7,262</u>

**15. Operating Lease Commitments**

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2006</b> <i>HK\$'000</i>	Audited 31 March 2006 <i>HK\$'000</i>
Within 1 year	<b>354</b>	227
After 1 year but within 5 years	<u>193</u>	<u>113</u>
	<u><b>547</b></u>	<u>340</u>

## 16. Capital commitments

	<b>Unaudited</b> <b>30 September</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 March 2006 <i>HK\$'000</i>
Contracted for acquisition of equipment	–	4,460
Interest in a subsidiary	–	850
	<hr/>	<hr/>
	–	5,310
	<hr/> <hr/>	<hr/> <hr/>

## 17. Retirement Benefits

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. The Group participates in a Mandatory Provident Fund (“MPF”), managed by independent approved MPF trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately.

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

## BUSINESS REVIEW

For the six months ended 30 September 2006, the Group’s unaudited consolidated turnover amounted to approximately HK\$17,723,000 (2005: HK\$52,433,000).

The Group recorded a net loss of approximately HK\$3,927,000 for the six months ended 30 September 2006 (2005: net profit of HK\$8,687,000). Basic loss per share for the six months ended 30 September 2006 was HK1.17 cents (2005 (restated) basic earnings per share: HK3.00 cents).

The Group is a software application solutions provider engaged 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 and its integrated hardware and software in the People’s Republic of China ( the “PRC”).

During the six months ended 30 September 2006, the Group has continued with the development of the application software and hardware of the ApBus product line and the brand ApBus was accredited as “中國十大家居智能產品優秀品牌” (The Top 10 recommended brand for Intelligent Home Products) in China. During the financial year 2005/2006, ApBus product line was obtained certification for ISO 9001.



For the six months ended 30 September 2006, turnover amounted to HK\$17,723,000, representing a decrease of 66.2% compared to the same period of the previous year. To widen its income base, the Group is looking for opportunities to expand to other sectors to which it can provide its services. The Group had expanded to the production of home-automation products since the last financial year. The home-automation products of the Group are not only applicable in residential properties but also many industries such as office units, hospitals and clinics, schools and some recreational areas, as well.

### **Material acquisitions and disposals during the period and future plans for material investments**

There were no material acquisitions and disposals of investments of the Group during the six months ended 30 September 2006. The Group will continue to look for possibilities of forming alliances or any investment opportunities with strategic partners.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

The Group is financially healthy in terms of its liquidity and net debt position. As at 30 September 2006, the net current assets of the Group were at a healthy level of approximately HK\$22,163,000 (2005: HK\$34,004,000). Out of the current assets as at 30 September 2006, approximately HK\$25,240,000 (2005: HK\$42,279,000) were pledged deposits and cash and bank balances. The current ratio of the Group as at 30 September 2006 and 30 September 2005 were 132% and 143% respectively. As at 30 September 2006, bank overdrafts and short term bank borrowings and other loan in aggregate amounted to approximately HK\$43,361,000 (2005: HK\$46,564,000). Net debt (i.e. total bank borrowings and convertible notes and other loan less cash and cash equivalent and pledged deposits) as at 30 September 2006 is approximately HK\$28,082,000 (2005: HK\$15,819,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 September 2006 and 30 September 2005 were 52.9% and 27.9% respectively.

### **Capital structure**

On 24 September 2003, the Company had placed redeemable convertible notes in the aggregate principal amounts of HK\$8,000,000 due on 24 September 2006. Details of convertible notes have been disclosed in the Company's circular to shareholders dated 29 September 2003. As at 24 September 2006, this series of convertible notes was discharged and released.

Pursuant to agreements dated 25 September 2006, 26 October 2006 and 8 November 2006 in relation to settlement of outstanding amounts of 7.5% redeemable convertible notes in the principal amount of HK\$8,000,000, all the noteholders discharged and released the Company from all its obligations and liabilities under the Notes and the instrument fully and absolutely as at 24 September 2006.

In April 2005 and March 2006, the Company had placed 42,000,000 and 30,000,000 ordinary shares to independent third parties, respectively and raised gross proceeds of HK\$8,100,000 for general working capital purpose.

On 12 August 2005, the Group had placed a series of 7.5% redeemable convertible notes due in 2008 for the aggregate principal amount of HK\$6.3 million. Details of which were set out in the announcement made by the Company dated 15 August 2005. The proceeds from the issue of the 2008 convertible notes in the amount of HK\$6.3 million has been fully utilized to finance the research and development of the product series of home intelligent automated system using the patented technology and i-panel.

On 22 September 2006, the Company had placed 28,000,000 ordinary shares to independent third parties and raised net proceeds of approximately HK\$4.23 million which will be used as to HK\$2 million for partial repayment of the company's outstanding bank borrowings and as to the balance of HK\$2.23 million shall be used as general working capital of the Company.

### **Foreign currency risk**

During the six months ended 30 September 2006, the majority of the Group's income and expenses was denominated in Hong Kong dollar while an insignificant portion of expenses was denominated in Renminbi or United States dollar. As at 30 September 2006, the Group had an outstanding foreign exchange contract of USD Nil (2005: USD300,000).

### **Charges on group's assets**

Bank deposits of HK\$25,000,000 (2005: HK\$40,000,000) as at 30 September 2006 have been pledged against banking facilities granted to the Group.

### **Contingent liabilities**

There were no significant contingent liabilities of the Group during the six months ended 30 September 2006 (2005: Nil).

## **OUTLOOK**

In this financial year, the Group will develop its business by adopting a dual strategy in lieu of the previous single strategy. That is, the Group will continue to strengthen its original business and at the same time expand into woman and child medical services, and expand to the medical industry for provision of electronic medical software application and support services.

The Group will continue to enhance the application functions of its core product, i-Panel, and to broaden its customers base. Further, the Group will also enhance its sales team to expand its sales networks. In the previous year, the Group was awarded “中國十大家居智能產品優秀品牌” (the Top 10 recommended brand for Intelligent Home Products) by YST (H.K.) Information International Intelligent Building Magazine” and “中國智能家居行業聯盟” (China Intelligent Home Industry Alliance), demonstrating that the growing popularity of Group's products are well received by the market. With the growing popularity of Intelligent and environmental-friendly design style in the PRC, the Board optimistically expects that the demand for the Group's intelligent products in the domestic construction industry will continue to grow.

As the second limb of the Group’s dual strategy, the Group will look for and explore opportunities to expand into woman and child medical services and its ancillary services. Further, the Group will explore more high-tech medical products through its established sales networks to further enhance its operation performance. The Board is confident of the Group’s development potential for the new business.

## EMPLOYEES

The number of employees (including Directors) was 17 as at 30 September 2006 (2005: 60), and the total staff costs (including Directors’ remuneration) for the six months ended 30 September 2006 was approximately HK\$3,427,000 (2005: HK\$3,462,000). Other benefits provided by the Group to the employees include MPF, medical coverage and share-based payments.

## 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 24,000,000 share options granted to the grantees. Up to 30 September 2006, no options under the Pre-IPO Share Option Scheme have been exercised and there were 1,680,000 share options have been cancelled and non-exercised. The remaining 22,320,000 share options under the Pre-IPO Share Option Scheme will lapse on 4 July 2012. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 30 September 2006	Option period	Exercise price per share
		Outstanding as at 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	5 July 2002	9,600,000	-	-	-	9,600,000	5 July 2002 to 4 July 2012	HK\$0.28
Employees	5 July 2002	12,720,000	-	-	-	12,720,000	5 July 2002 to 4 July 2012	HK\$0.28
<b>Total</b>		<b>22,320,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,320,000</b>		

(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 conditionally adopted the share option scheme, the principal terms of which are set out in the section headed “Share Option Schemes” on Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 30 September 2006, there were 52,385,000 share options granted to the grantees and there were 18,725,000 share options under the Post-IPO Share Option Scheme have been exercised and no options has been cancelled. The remaining 16,660,000 share options and 17,000,000 share options under the Post-IPO Share Option Scheme will lapse on 5 January 2014 and 19 September 2015 respectively. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 30 September 2006	Option period	Exercise price per share
		Outstanding as at 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	6 January 2004	9,514,000	-	-	-	9,514,000	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	11,600,000	-	-	-	11,600,000	20 September 2005 to 19 September 2015	HK\$0.114
Employees	6 January 2004	7,146,000	-	-	-	7,146,000	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	5,400,000	-	-	-	5,400,000	20 September 2005 to 19 September 2015	HK\$0.114
Total		33,660,000	-	-	-	33,660,000		

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests or short positions of the Directors and Chief Executive of the Company 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 5.46 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:

### 1. Long positions in the shares of the Company

Name of Director	Number of ordinary shares held					Aggregate Interests	Percentage of the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Ms. Wong Yuen Yee ( <i>Note</i> )	–	–	97,362,000	–	–	97,362,000	26.82%
Mr. Wong Kwok Sing ( <i>Note</i> )	–	–	97,362,000	–	–	97,362,000	26.82%
Mr. Wong Yao Wing, Robert ( <i>Note</i> )	–	–	97,362,000	–	–	97,362,000	26.82%
Mr. Lam Shiu San ( <i>Note</i> )	–	–	97,362,000	–	–	97,362,000	26.82%

*Note:*

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 97,362,000 Shares held by Multiturn Trading Limited under the SFO.

Save as disclosed above, as at 30 September 2006, none of Directors or chief executive of the Company has any interests or short positions 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 5.46 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

## 2. Long positions in the underlying shares of the Company

### (a) Pre-IPO Share Option Scheme

Details of the share options granted to certain Directors pursuant to the Pre-IPO Share Option Scheme as at 30 September 2006 are as follows:

	Date of grant	Number of share options				Outstanding as at 30 September 2006	Option period	Exercise price per share
		Outstanding as at 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period			
Ms. Wong Yuen Yee	5 July 2002	2,400,000	-	-	-	2,400,000	5 July 2002 to 4 July 2012	HK\$0.28
Mr. Wong Kwok Sing	5 July 2002	2,400,000	-	-	-	2,400,000	5 July 2002 to 4 July 2012	HK\$0.28
Mr. Wong Yao Wing, Robert	5 July 2002	2,400,000	-	-	-	2,400,000	5 July 2002 to 4 July 2012	HK\$0.28
Mr. Lam Shiu San	5 July 2002	2,400,000	-	-	-	2,400,000	5 July 2002 to 4 July 2012	HK\$0.28
<b>Total</b>		<b>9,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,600,000</b>		

Up to the report date, no share options under the Pre-IPO Share Option Scheme have been exercised.

(b) *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 2006 are as follows:

	Date of grant	Number of share options				Outstanding as at 30 September 2006	Option period	Exercise price per share
		Outstanding as at 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period			
Ms. Wong Yuen Yee	6 January 2004	2,378,500	-	-	-	2,378,500	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	2,900,000	-	-	-	2,900,000	20 September 2005 to 19 September 2015	HK\$0.114
Mr. Wong Kwok Sing	6 January 2004	2,378,500	-	-	-	2,378,500	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	2,900,000	-	-	-	2,900,000	20 September 2005 to 19 September 2015	HK\$0.114
Mr. Wong Yao Wing, Robert	6 January 2004	2,378,500	-	-	-	2,378,500	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	2,900,000	-	-	-	2,900,000	20 September 2005 to 19 September 2015	HK\$0.114
Mr. Lam Shiu San	6 January 2004	2,378,500	-	-	-	2,378,500	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	2,900,000	-	-	-	2,900,000	20 September 2005 to 19 September 2015	HK\$0.114
Total		21,114,000	-	-	-	21,114,000		

Up to 30 September 2006, no share option under the Post-IPO Share Option Scheme either was exercised or was lapsed held by the executive directors.

Save as disclosed above, as at 30 September 2006, 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 5.46 to 5.58 of the GEM Listing Rules. During the reporting period, there were no debt securities issued by the Group.

(c) *Directors' and chief executive's rights to acquire Shares or debt securities*

Save as disclosed above, as at 30 September 2006, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors or chief executive 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 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' INTERESTS AND SHORT POSITIONS IN SHARES**

Save as disclosed hereunder, none of the Directors or chief executive of the Company is aware of any person who has any interests or short positions 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>Long/short position</b>	<b>Number of shares held</b>	<b>Percentage of shareholdings</b>
Multiturn Trading Limited ( <i>Note 1</i> )	Long	97,362,000	26.82%
Rexy Investment Limited ( <i>Note 2</i> )	Long	28,800,000	7.93%
Chan Chee Lok, Kenneth	Long	25,000,000	6.89%

*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 2006, 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 the SFO.



## **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.

## **PURCHASE, SALE OR REDEMPTION OF 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.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 2006. 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 2006.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

As at the date of this report, save as disclosed herein, the Company has met the code provisions set out in the code on Corporate Governance Practices contained in Appendix 15 of GEM Listing Rules:

- (1) Due to the practical reasons, 14 days advance notifications have not been given to all meetings of the board. Reasonable notifications have been given in respect of those meetings of the board where it is not practicable to give 14 days advance notification. The board will use its best endeavours to give 14 days advance notifications of board meeting to the extent practicable. (Code Provisions A1.1 and 1.1.3);
- (2) As at the date of this report, we have no formal guidelines for employees dealings in securities (Code Provision A.5.4) although a formal guideline has been adopted for directors. Actions will be taken by the board to formalize the circumstances under which employees can deal in the shares of the Company before end of the current financial year;
- (3) Actions have yet taken to review the internal control systems of the Group. The Board plans to engage an external auditor to undertake the review before the end of the current financial year and to take appropriate course of action in this regard based on the recommendation of the external auditor (Code Provision C.2.1); and
- (4) No formal schedule of matters reserved to the Board and those delegated to the management has been adopted by the Group although there are guidelines for the responsibilities and duties members of the board and members of the managements taking up different position. The Board has delegated our Human Resources Department to prepare the formal schedule for the approval of the board before the end of the current financial year (Code Provision D.1.2).

## 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 Mr. Wong Tak Leung, Charles, Ms. Ho Chui Yin, Liwina and Mr. Lai Ying Sum 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 2006 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.

On behalf of the Board  
**Wong Yuen Yee**  
*Chairman*

Hong Kong, 9 November 2006

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

*Executive Directors:*

Ms. Wong Yuen Yee (*Chairman*)  
Mr. Wong Yao Wing, Robert  
(*Deputy Chairman*)  
Mr. Wong Kwok Sing  
Mr. Lam Shiu San

*Independent Non-Executive Directors:*

Mr. Wong Tak Leung, Charles  
Ms. Ho Chui Yin, Liwina  
Mr. Lai Ying Sum