



INNO-TECH HOLDINGS LIMITED
匯創控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8202



2006/07
THIRD QUARTERLY REPORT

* For identification purpose 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 newspapers. 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 for the purpose of giving information with regard to Inno-Tech Holdings Limited. 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.

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 nine months ended 31 December 2006 amounted to approximately HK\$19,339,000, representing a decrease of approximately 71.5% as compared to amount reported in the corresponding period in 2005.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$7,447,000 for the nine months ended 31 December 2006.
- Loss per share amounted to HK2.13 cents for the nine months ended 31 December 2006.
- The Board did not recommend the payment of a dividend for the nine months ended 31 December 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 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 nine months ended 31 December 2006, together with comparative figures for the three months and nine months ended 31 December 2005 are as follows:

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	2	1,616	15,383	19,339	67,816
Cost of sales		<u>(1,197)</u>	<u>(10,962)</u>	<u>(6,377)</u>	<u>(43,838)</u>
Gross profit		419	4,421	12,962	23,978
Other revenue		221	300	677	584
Marketing and promotion expenses		(513)	(369)	(1,119)	(1,196)
Administrative expenses		<u>(3,137)</u>	<u>(2,793)</u>	<u>(16,122)</u>	<u>(8,315)</u>
(Loss)/profit from operations		(3,010)	1,559	(3,602)	15,051
Finance costs		(1,224)	(1,438)	(3,809)	(4,047)
Share of losses of associates and jointly controlled entities		<u>-</u>	<u>(63)</u>	<u>(1)</u>	<u>(354)</u>
(Loss)/profit from ordinary activities before taxation		(4,234)	58	(7,412)	10,650
Taxation	3	<u>-</u>	<u>(21)</u>	<u>(35)</u>	<u>(1,926)</u>
(Loss)/profit for the period		<u>(4,234)</u>	<u>37</u>	<u>(7,447)</u>	<u>8,724</u>
Attributable to:					
Equity holders of the Company		(4,234)	37	(7,447)	8,724
Minority Interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/earnings per share					
- Basic	4(a)	<u>(1.13 cents)</u>	<u>0.012 cents</u>	<u>(2.13 cents)</u>	<u>3.00 cents</u>
- Diluted	4(b)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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. 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.

4. (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 nine months ended 31 December 2006 of approximately HK\$4,234,000 and HK\$7,447,000 (2005: profit of HK\$37,000 and HK\$8,724,000 respectively) and on the weighted average of 375,455,435 and 349,500,455 respectively (2005 (restated): 293,475,000 and 291,489,545 respectively) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

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

5. Movements of reserves

	Unaudited						
	Share Premium HK\$'000	Employee compensation reserve HK\$'000	Convertible		Capital redemption Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
			Notes Reserve HK\$'000	Contributed Surplus HK\$'000			
At 1 April 2005	15,370	-	-	5,625	43	19,613	40,651
Profit for the period	-	-	-	-	-	8,724	8,724
Issuance of shares	1,680	-	-	-	-	-	1,680
Share issuance cost	(93)	-	-	-	-	-	(93)
At 31 December 2005	<u>16,957</u>	<u>-</u>	<u>-</u>	<u>5,625</u>	<u>43</u>	<u>28,337</u>	<u>50,962</u>
At 1 April 2006	24,445	1,462	442	5,625	43	13,854	45,871
Loss for the period	-	-	-	-	-	(7,447)	(7,447)
Issuance of shares	13,300	-	-	-	-	-	13,300
Share issuance cost	(458)	-	-	-	-	-	(458)
At 31 December 2006	<u>37,287</u>	<u>1,462</u>	<u>442</u>	<u>5,625</u>	<u>43</u>	<u>6,407</u>	<u>51,266</u>

DIVIDEND

The Directors did not recommend the payment of a dividend for the nine months ended 31 December 2006 (2005: Nil).

BUSINESS REVIEW

For the nine months ended 31 December 2006, the Group's unaudited consolidated turnover amounted to approximately HK\$19,339,000 (2005: HK\$67,816,000).

The Group recorded a net loss of approximately HK\$7,447,000 for the nine months ended 31 December 2006 (2005: net profit of HK\$8,724,000). Basic loss per share for the nine months ended 31 December 2006 was HK2.13 cents (2005 (restated): basic earnings per share HK3.0 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 nine months ended 31 December 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 nine months ended 31 December 2006, turnover amounted to HK\$19,339,000, representing a decrease of 71.5% 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 by the Group during the nine months ended 31 December 2006. The Group will continue to look for possibilities of forming alliances or any investment opportunities with strategic partners.

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 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 31 December 2006 (2005: 60), and the total staff costs (including Directors’ remuneration) for the nine months ended 31 December 2006 was approximately HK\$2,813,000 (2005: HK\$5,481,000). 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 31 December 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					Option period	Exercise price per share
		Outstanding as at 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2006		
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
Total		22,320,000	-	-	-	22,320,000		

(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 31 December 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:

		Number of share options						
	Date of grant	Outstanding as at 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2006	Option period	Exercise price per share
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 31 December 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					Percentage of the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Aggregate Interests	
Ms. Wong Yuen Yee (<i>note</i>)	-	-	97,362,000	-	97,362,000	22.64%
Mr. Wong Kwok Sing (<i>note</i>)	-	-	97,362,000	-	97,362,000	22.64%
Mr. Wong Yao Wing, Robert (<i>note</i>)	-	-	97,362,000	-	97,362,000	22.64%
Mr. Lam Shiu San (<i>note</i>)	-	-	97,362,000	-	97,362,000	22.64%

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, as at 31 December 2006, none of Directors or chief executives 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 31 December 2006 are as follows:

	Date of grant	Number of share options				Outstanding as at 31 December 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
Total		9,600,000	-	-	-	9,600,000		

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 31 December 2006 are as follows:

	Date of grant	Number of share options				Outstanding as at 31 December 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 31 December 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 31 December 2006, 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 5.46 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 31 December 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:

Name	Long/short position	Number of shares held	Percentage of shareholdings
Multiturn Trading Limited (<i>Note 1</i>)	Long	97,362,000	22.64%
Rexy Investment Limited (<i>Note 2</i>)	Long	28,800,000	6.70%
Chan Chee Lok, Kenneth	Long	25,000,000	5.81%

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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 extend 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 nine months ended 31 December 2006 have been reviewed by the audit committee, which is of the opinion that the audited 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 February 2007

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