



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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8202)

Interim Report 07/08

* For identification purposes only

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This report, for which the directors of Inno-Tech Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM”) for the purpose of giving information with regard to Inno-Tech Holdings Limited (the “Company”). The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded bases and assumption that are fair and reasonable.

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*

Mr. Lai Ying Sum*

Mr. Cheng King Hung*

* *Independent non-executive Directors*

COMPLIANCE OFFICER

Mr. Wong Yao Wing, Robert

AUTHORISED REPRESENTATIVES

Mr. Wong Yao Wing, Robert

Ms. Wong Yuen Yee

COMPANY SECRETARY

Mr. Li Kar Fai, Peter, *CPA*

QUALIFIED ACCOUNTANT

Mr. Li Kar Fai, Peter, *CPA*

AUDIT COMMITTEE MEMBERS

Mr. Wong Tak Leung, Charles

(*Chairman of audit committee*)

Mr. Lai Ying Sum

Mr. Cheng King Hung

AUDITORS

PCP CPA Limited

LEGAL ADVISERS TO THE COMPANY

Troutman Sanders (*as to Hong Kong Laws*)

PRINCIPAL BANKERS

BANCO DE ORO-EPCI, 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

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COMPANY WEBSITE

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

GEM STOCK CODE

8202

HIGHLIGHTS

- Turnover for the six months ended 30 September 2007 amounted to approximately HK\$60,897,000, representing an increase of approximately 244% as compared to amount reported in the corresponding period in 2006.
- Profit attributable to equity holders amounted to approximately HK\$4,148,000 for the six months ended 30 September 2007.
- Earnings per share amounted to HK0.4 cent for the six months ended 30 September 2007.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

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 2007, together with comparative figures for the three months and six months ended 30 September 2006 are as follow:–

| | Notes | Unaudited Three months ended 30 September | | Unaudited Six months ended 30 September | |
|--|-------|---|---------------------|---|---------------------|
| | | 2007 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 | 2006 HK\$'000 |
| Turnover | 2 | 37,454 | 8,386 | 60,897 | 17,723 |
| Cost of sales | | (30,344) | (2,124) | (49,159) | (5,180) |
| Gross profit | | 7,110 | 6,262 | 11,738 | 12,543 |
| Other revenue | | 3,503 | 228 | 6,004 | 456 |
| Marketing and promotion expenses | | (1,367) | (476) | (1,678) | (606) |
| Administrative expenses | | (3,657) | (8,346) | (10,397) | (12,985) |
| Finance costs | | (239) | (1,288) | (784) | (2,585) |
| Share of losses of associates | | – | (1) | – | (1) |
| Profit/(loss) before income tax | 3 | 5,350 | (3,621) | 4,883 | (3,178) |
| Income tax | 4 | (37) | (513) | (37) | (749) |
| Profit/(loss) for the period | | <u>5,313</u> | <u>(4,134)</u> | <u>4,846</u> | <u>(3,927)</u> |
| Attributable to: | | | | | |
| Equity holders of the Company | | 4,615 | (4,134) | 4,148 | (3,927) |
| Minority Interests | | 698 | – | 698 | – |
| | | <u>5,313</u> | <u>(4,134)</u> | <u>4,846</u> | <u>(3,927)</u> |
| Earnings/(loss) per share | | | | | |
| – Basic | 5 | <u>0.39 cent</u> | <u>(1.23 cents)</u> | <u>0.40 cent</u> | <u>(1.17 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 2007

| | | Unaudited | Audited |
|---|--------------|----------------------|-----------------|
| | | 30 September | 31 March |
| | | 2007 | 2007 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Non-current assets | | | |
| Goodwill | 6 | 60,643 | – |
| Property, plant and equipment | 7 | 15,701 | 9,528 |
| Prepaid lease payments | | 5,758 | 5,761 |
| Intangible assets | 7 | 43,769 | 27,620 |
| Interest in associates | 8 | 3,039 | 4,407 |
| Interest in a jointly controlled entity | 9 | – | – |
| | | <hr/> 128,910 | <hr/> 47,316 |
| Current assets | | | |
| Inventories | 10 | 33,675 | 1,187 |
| Accounts receivable | 11 | 66,062 | 40,163 |
| Prepayments, deposits and other receivables | | 36,424 | 5,361 |
| Amounts due from customers | | 18,440 | 15,820 |
| Pledged deposits | | 13,000 | 13,000 |
| Cash and cash equivalents | | 82,562 | 2,121 |
| | | <hr/> 250,163 | <hr/> 77,652 |
| Current liabilities | | | |
| Bank loans and overdrafts | 12 | 11,975 | 16,146 |
| Trade payables, accrued expenses and other payables | 13 | 7,743 | 12,304 |
| Other loan | | – | 5,150 |
| Bills payable | | – | 1,970 |
| Amounts due to directors | | 1,588 | 9,296 |
| Current taxation | 4 | 46 | 1,053 |
| Convertible notes | 14 | – | 55 |
| | | <hr/> 21,352 | <hr/> 45,974 |
| Net current assets | | <hr/> 228,811 | <hr/> 31,678 |

| | | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|--------------------------------|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current liabilities | | | |
| Bank loans | | 3,750 | 3,812 |
| Convertible notes | <i>14</i> | – | 6,055 |
| Deferred taxation | <i>4</i> | 4,976 | 4,976 |
| | | <hr/> | <hr/> |
| | | 8,726 | 14,843 |
| | | <hr/> | <hr/> |
| Net assets | | 348,995 | 64,151 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Capital and reserves | | | |
| Share capital | <i>15</i> | 23,603 | 8,602 |
| Reserves | | 325,392 | 55,549 |
| | | <hr/> | <hr/> |
| | | 348,995 | 64,151 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

| | Share Capital | Share Premium | Employee Compensation Reserve | Convertible Notes Reserve | Contributed Surplus | Capital Redemption Reserve | Exchange Reserve | Retained Profits | Total |
|-----------------------|----------------------|-----------------------|-------------------------------------|---------------------------------|------------------------|----------------------------------|---------------------|----------------------|-----------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2006 | 6,702 | 24,445 | 1,462 | 442 | 5,625 | 43 | - | 13,854 | 52,573 |
| Loss of 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>-</u> | <u>9,927</u> | <u>53,121</u> |
| At 1 April 2007 | <u>8,602</u> | <u>37,273</u> | <u>1,462</u> | <u>160</u> | <u>5,625</u> | <u>43</u> | <u>(34)</u> | <u>11,020</u> | <u>64,151</u> |
| Profit for the period | - | - | - | - | - | - | - | 4,148 | 4,148 |
| Issuance of shares | 15,001 | 282,825 | (1,376) | (160) | - | - | - | - | 296,290 |
| Share issuance cost | - | (15,594) | - | - | - | - | - | - | (15,594) |
| At 30 September 2007 | <u><u>23,603</u></u> | <u><u>304,504</u></u> | <u><u>86</u></u> | <u><u>-</u></u> | <u><u>5,625</u></u> | <u><u>43</u></u> | <u><u>(34)</u></u> | <u><u>15,168</u></u> | <u><u>348,995</u></u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

| | Unaudited six months ended 30 September | |
|---|---|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Net cash from operating activities | (100,966) | 2,457 |
| Net cash used in investing activities | (81,811) | (4,308) |
| Net cash generated from financing activities | 267,494 | 941 |
| Increase/(decrease) in cash and cash equivalents | 84,717 | (910) |
| Cash and cash equivalents at the beginning of the period | (2,877) | (17,893) |
| Cash and cash equivalent at the end of the period | 81,840 | (18,803) |
| Analysis of cash and cash equivalents: | | |
| Cash and cash equivalents in the condensed consolidated balance sheet | 82,562 | 240 |
| Bank overdrafts | (722) | (19,043) |
| Cash and cash equivalents | 81,840 | (18,803) |

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 2007. The principal accounting policies adopted are disclosed in the Group’s 2007 Annual Report dated 26 June 2007.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 2007 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 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. Profit before income tax

Profit before income tax is arrived at after charging:

| | Unaudited six months ended 30 September | |
|--|---|-------------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Finance cost | | |
| Interest on Bank advances wholly repayable within five years | 601 | 1,687 |
| Interest on convertible note | 169 | 875 |
| Interest on other loan | 14 | 17 |
| Finance charges on obligations under finance lease | – | 6 |
| Auditors' remuneration | 437 | 190 |
| Staff cost | 4,716 | 3,427 |
| Amortisation of intangible assets | 5,551 | 3,426 |
| Depreciation | | |
| Owned assets | 1,921 | 1,203 |
| Assets held under finance leases | – | – |
| Operating lease charges in respect of office premises | 377 | 290 |
| Provision for impairment of trade receivables | – | 3,000 |
| Retirement costs | 124 | 154 |
| | <u> </u> | <u> </u> |

4. Taxation

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2006: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

Deferred taxation

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

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|---|---|---|
| Tax losses | – | – |
| Depreciation allowances in excess of related depreciation | 4,976 | 4,976 |
| | <u> </u> | <u> </u> |
| | <u>4,976</u> | <u>4,976</u> |

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

| | Unaudited | |
|---------------------------------|-------------------------|-----------------|
| | Six months ended | |
| | 30 September | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | 37 | 714 |
| Underprovision in previous year | — | 35 |
| | <u>37</u> | <u>749</u> |

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

| | Unaudited | |
|---|-------------------------|-----------------|
| | Six months ended | |
| | 30 September | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Profit before income tax | <u>4,883</u> | 4,079 |
| Calculated at a taxation rate of 17.5% | <u>855</u> | <u>714</u> |
| Tax effect of income not taxable for tax purpose | (1,051) | — |
| Tax effect of deductible temporary differences not recognised | <u>233</u> | — |
| | <u>37</u> | <u>714</u> |

5. Earnings/(loss) per share

- (a) *Basic earnings/(loss) per share*

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to equity holders for the three months and six months ended 30 September 2007 of approximately HK\$4,615,000 and HK\$4,148,000 (2006: (loss) of HK\$4,134,000 and HK\$3,927,000 respectively) and on the weighted average of 1,160,174,509 and 1,030,977,416 respectively (2006: 335,075,000 and 336,452,049 respectively) ordinary shares in issue during the period.

- (b) *Diluted earnings per share*

No diluted earnings per share has been presented for the three months and six months ended 30 September in 2007 and 2006 as the Company's share options are anti-dilutive.

6. Goodwill

| | Carrying amount <i>HK\$'000</i> |
|---|---|
| As at 1 April 2007 | – |
| Acquired on acquisition of a subsidiary | 60,643 |
| | <u>60,643</u> |
| As at 30 September 2007 | <u>60,643</u> |

7. Capital expenditure

| | Intangible assets <i>HK\$'000</i> | Fixed assets <i>HK\$'000</i> |
|---|---|--|
| Net book value as at 1 April 2007 | 27,620 | 9,528 |
| Additions | 21,700 | 8,094 |
| Depreciation/Amortisation | (5,551) | (1,921) |
| | <u>43,769</u> | <u>15,701</u> |
| Net book value as at 30 September 2007 | <u>43,769</u> | <u>15,701</u> |

8. Interest in associates

| | Unaudited 30 September 2007 <i>HK\$'000</i> | Audited 31 March 2007 <i>HK\$'000</i> |
|---------------------|---|---|
| Share of net assets | <u>3,039</u> | <u>4,407</u> |

9. Interest in a jointly controlled entity

| | Unaudited 30 September 2007 <i>HK\$'000</i> | Audited 31 March 2007 <i>HK\$'000</i> |
|---------------------|---|---|
| Share of net assets | <u>–</u> | <u>–</u> |

10. Inventories

| | Unaudited 30 September 2007 <i>HK\$'000</i> | Audited 31 March 2007 <i>HK\$'000</i> |
|------------------|---|---|
| Finished goods | 33,287 | 999 |
| Work in progress | 198 | 95 |
| Raw materials | 190 | 93 |
| | <u>33,675</u> | <u>1,187</u> |

11. Accounts receivable

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|---|---|---|
| Trade receivables | 66,062 | 40,002 |
| Receivable from a jointly controlled entity | – | 92 |
| Receivable from associates | – | 69 |
| | <u>66,062</u> | <u>40,163</u> |

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

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|--|---|---|
| Current | 32,703 | 8,286 |
| Aged over 1 month but less than 3 months | 17,741 | 5,226 |
| Aged over 3 months | 15,618 | 26,490 |
| | <u>66,062</u> | <u>40,002</u> |

Customers are generally granted with credit terms of 3 months.

12. Bank loans and overdrafts

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|---------------------------------|---|---|
| Non-current | | |
| Bank loans | 3,750 | 3,812 |
| Secured bank overdrafts | 722 | 4,998 |
| Secured bank loans | 11,253 | 11,148 |
| | <u>11,975</u> | <u>16,146</u> |
| Total | <u>15,725</u> | <u>19,958</u> |
| Within 1 year or on demand | 11,975 | 16,146 |
| After 1 year but within 2 years | 129 | 121 |
| After 2 year but within 5 years | 436 | 411 |
| Over 5 years | 3,185 | 3,280 |
| | <u>15,725</u> | <u>19,958</u> |

13. Trade payables, accrued expenses and other payables

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|-------------------------------------|---|---|
| Trade payables | 5,842 | 175 |
| Amount due to a related company | 281 | 1,493 |
| Accrued expenses and other payables | <u>1,620</u> | <u>10,636</u> |
| | <u>7,743</u> | <u>12,304</u> |

14. Convertible notes

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|---------------|---|---|
| Balance as at | <u>-</u> | <u>6,055</u> |

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

On 12 August 2005, the Company issued 3-year HK\$6.3 million unsecured convertible notes bearing interest at 7.5% per annum and 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\$0.10 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.

In July 2007, the HK\$6.3 million convertible notes had been fully converted into ordinary shares.

15. Share capital

| | Number of shares | Amount HK\$ |
|----------------------------------|-----------------------------|--------------------------|
| Authorised | | |
| Ordinary shares of HK\$0.02 each | <u>5,000,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid | | |
| At 1 April 2007 | 430,075,000 | 8,601,500 |
| Issuance of ordinary shares | <u>750,054,400</u> | <u>15,001,088</u> |
| At 30 September 2007 | <u>1,180,129,400</u> | <u>23,602,588</u> |

16. Operating lease commitments

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

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|---------------------------------|---|---|
| Within 1 year | 679 | 682 |
| After 1 year but within 5 years | 226 | 88 |
| | 905 | 770 |

17. Capital commitments

| | Unaudited 30 September 2007 HK\$'000 | Audited 31 March 2007 HK\$'000 |
|---|---|---|
| Contracted for acquisition of equipment | – | 5,120 |
| Design of moulds | – | 480 |
| Interest in a subsidiary | – | 58,968 |
| | – | 64,568 |

18. 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 Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

BUSINESS REVIEW

For the six months ended 30 September 2007, the Group's unaudited consolidated turnover amounted to approximately HK\$60,897,000 (2006: HK\$17,723,000), an increase of 244% 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.

The Group recorded a net profit of approximately HK\$4,148,000 for the six months ended 30 September 2007 (2006: net loss HK\$3,927,000). Basic earnings per share for the six months ended 30 September 2007 was HK 0.4 cent (2006: basic loss per share: HK 1.17 cents).

The Group is a software application solutions provider engaged in the provision of internet design for residential communities and e-property management software application consulting services based on the application of i-Panel and its integrated hardware and software in the PRC. It is the dual corporate strategy of the Company to strengthen its existing business, and at the time seeking opportunities to expand into the medical industry and hotel industry utilizing its electronic software solutions as a platform.

In April 2007, the Group acquired a 56% interest in Autoscale Resources Limited, which holds approximately 37.7% of the ordinary shares of United Premier Medical Group Limited, which together with its subsidiaries are engaged in the business of infrastructure investment in boutique units in hospitals or medical centres of its business partners and providing hospital management and medical consultation services through co-operation with hospitals and medical institutions and experience healthcare experts and medical consultants.

The expansion strategy of the Group into the hotel industry comprises: (i) provision of hotel management services; and (ii) own and management of hotel assets. In pursuit of the first limb of this expansion strategy, it was announced on 11 October 2007, that the Group has entered into a joint venture agreement to form a joint venture with Swiss-Belhotel International Limited ("SBI") which will principally engaged in the management and operation of economy hotels in the PRC. It was further announced on 29 October 2007 that the Group has entered into nine management contracts with Independent Third Parties in relation to the management of nine hotels located at Kaiping City, Dongguan City, Shaoguan and Zhaoqing, Guangdong Province, the PRC.

On 6 November 2007, the Group announced the acquisition of Sunny Team Corporation Limited and China Earn Limited and hence the Xindu Hotel Property and the Changlin Hotel Property is a first step for the Group to implement the second limb of the expansion strategy.

The Directors and members of the senior management of the Group have substantive experience in real estate management and hospitality business. Leveraged on the experience of the Directors and the senior management of the Group, the Directors believe the Group is able to further expand and develop in the hotel industry.

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

Save as disclosed in the circular to the shareholders in relation to acquisition of an interest in Autoscale Resources Limited which constituted a major and connected transaction of the Group under the GEM Listing Rules issued on 26 March 2007, there were no material acquisitions and disposals of investments by the Group during the six months period ended 30 September 2007. 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 2007, the net current assets of the Group were at a healthy level of approximately HK\$228,811,000 (2006: HK\$22,163,000). Out of the current assets as at 30 September 2007, approximately HK\$94,840,000 (2006: HK\$25,240,000) were pledged deposits and cash and cash equivalents. The current ratio of the Group as at 30 September 2007 and 30 September 2006 were 1,209% and 132% respectively. As at 30 September 2007, short term bank borrowings amounted to approximately HK\$11,253,000 (2006: HK\$43,361,000). The Group is not in a net debt position as the net debt (i.e. total bank borrowings and convertible notes less cash and cash equivalent and pledged deposits) as at 30 September 2007 is negative (2006: net debt of HK\$28,082,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 September 2007 is not presented (2006: net debt gearing ratio of 52.9%).

Capital structure

For the six months ended 30 September 2007, the Company placed 451,000,000 shares of HK\$0.168 each and 184,884,900 shares of HK\$1.10 each in April and May respectively.

For the six months ended 30 September 2007, there were 51,169,500 ordinary shares issued pursuant to the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

In July 2007, the HK\$6.3 million convertible notes had been fully converted into ordinary shares.

Foreign currency risk

During the six months ended 30 September 2007, 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 2007, 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 fluctuation in interest rate nor foreign currencies for the six months ended 30 September 2007.

Charges on group's assets

Bank deposits of HK\$13,000,000 (2006: HK\$25,000,000) as at 30 September 2007 have been pledged against banking facilities granted to the Group.

OUTLOOK

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. In addition, the Group will continue to strengthen R&D capabilities to develop and roll out high margin hi-tech advance products to remain competitive. 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 it is the dual corporate strategy of the Company to strengthen its existing business, and at the time seeking opportunities to expand into the medical industry and hotel industry utilizing its electronic software solutions as a platform, the Company will continue actively seeking appropriate business partners for expansion into the hotel industry in China. The expansion strategy of the Group into the hotel industry comprises: (i) provision of hotel management services; and (ii) own and management of hotel assets.

The Directors are of the view that Beijing Olympic Games, Shanghai World Expo and Guangzhou Asian Games will be held in China soon. These worldwide significant events have promised a bright future for Chinese hotel industry. One of the newest business segments to take root in China's growing economy in recent years is economy hotel. Economy hotels survive the fierce competition by providing better facilities and a nicer environment than guest houses and a cheaper price than the more up-market hotels. To be in a position to effectively capture the growth, the Directors are of the view that the establishment of a hotel management business is crucial in Group's growth strategy and the management will continue signing quality hotel management contracts.

Some existing small residential buildings and company dormitories can be converted to budget hotels in order to harvest a profit with low costs and a high occupancy rate. In fact, Hotels usually reside in an integrated commercial complex can take advantage of facilities in the surrounding shopping centers and tourist destinations to provide comprehensive services and improve the overall competitiveness. The Directors believe that taking advantage of the surrounding environment to improve supporting facilities of our own and manage hotels will be our further expansion strategy of the Group. By acquiring or partnering with small-mid brands, the Group can quickly enter the hotel industry of China.

In addition, management and facilities in China are now localized. The Directors are of the view that with the establishment of the Joint Venture with SBI and some potential business partners, it foresees that the Group can quickly increase its present in China in the next few years. In order to meet the challenges, the Group will also emphasis in strengthen the management level and brand construction. Most importantly, the Group will explore more in research and development of trained hotel personnel, as the quality of hotel staff in China has eroded over the years as demand has outstripped supply.

EMPLOYEES

The number of employees (including Directors) was 18 as at 30 September 2007 (2006: 17), and the total staff costs (including Directors' remuneration) for the six months ended 30 September 2007 was approximately HK\$4,716,000 (2006: HK\$3,427,000). 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. Up to 30 September 2007, there were 17,520,000 share option under the Pre-IPO Share Option Scheme have been exercised. The remaining 4,800,000 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 2007 | Option period | Exercise price per share |
|-----------|---------------|--------------------------------|---------------------------|-----------------------------|--------------------------|-------------------------------------|----------------------------|--------------------------|
| | | Outstanding as at 1 April 2007 | 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 | - | 7,920,000 | - | 4,800,000 | 5 July 2002 to 4 July 2012 | HK\$0.28 |
| Total | | 22,320,000 | - | 17,520,000 | - | 4,800,000 | | |

(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 “Share Option Schemes” on Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 30 September 2007, there were 161,445,000 share options granted 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 2007 | Option period | Exercise price per share |
|-----------|-------------------|--------------------------------|---------------------------|-----------------------------|--------------------------|-------------------------------------|--|--------------------------|
| | | Outstanding as at 1 April 2007 | 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 |
| | 23 August 2007 | - | 34,720,000 | - | - | 34,720,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| Employees | 6 January 2004 | 7,146,000 | - | 7,135,500 | - | 10,500 | 6 January 2004 to 5 January 2014 | HK\$0.22 |
| | 20 September 2005 | 5,400,000 | - | 4,400,000 | - | 1,000,000 | 20 September 2005 to 19 September 2015 | HK\$0.114 |
| | 23 August 2007 | - | 74,340,000 | 1,000,000 | - | 73,340,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| Total | | 33,660,000 | 109,060,000 | 33,649,500 | - | 109,070,500 | | |

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

As at 30 September 2007, 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 Futures 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 5.68 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 | Other Interests | Aggregate Interests | |
| Ms. Wong Yuen Yee <i>(note)</i> | 183,178,500 | - | 97,362,000 | - | 280,540,500 | 23.77% |
| Mr. Wong Kwok Sing <i>(note)</i> | 7,678,500 | - | 97,362,000 | - | 105,040,500 | 8.90% |
| Mr. Wong Yao Wing, Robert <i>(note)</i> | 183,178,500 | - | 97,362,000 | - | 280,540,500 | 23.77% |
| Mr. Lam Shiu San <i>(note)</i> | 6,018,500 | - | 97,362,000 | - | 103,380,500 | 8.76% |
| Mr. Cheng King Hung | 700,000 | - | - | - | 700,000 | 0.06% |

Note: The 97,362,000 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 2007, 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 5.68 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 share options granted to certain Directors pursuant to the Pre-IPO Share Option Scheme as at 30 September 2007 are as follows:

| | Date of grant | Number of share options | | | | Outstanding as at 30 September 2007 | Option period | Exercise price per share |
|---------------------------|---------------|--------------------------------|---------------------------|-----------------------------|--------------------------|-------------------------------------|----------------------------|--------------------------|
| | | Outstanding as at 1 April 2007 | 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 30 September 2007, there were 17,520,000 share options under the Pre-IPO Share Option Scheme have been exercised and 1,680,000 share options have been lapsed. The remaining 4,800,000 share options under the Pre-IPO Share Option Scheme will lapse on 4 July 2012.

(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 2007 are as follows:

| | Date of grant | Number of share options | | | | Outstanding as at 30 September 2007 | Option period | Exercise price per share |
|---------------------------|-------------------|--------------------------------|---------------------------|-----------------------------|--------------------------|-------------------------------------|--|--------------------------|
| | | Outstanding as at 1 April 2007 | 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 |
| | 23 August 2007 | - | 7,930,000 | - | - | 7,930,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| 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 |
| | 23 August 2007 | - | 7,930,000 | - | - | 7,930,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| 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 |
| | 23 August 2007 | - | 7,930,000 | - | - | 7,930,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |

| | | Number of share options | | | | | | |
|-----------------------------------|----------------------|--------------------------------------|---------------------------------|-----------------------------------|--------------------------------|--|--|--------------------------------|
| | Date of grant | Outstanding as at 1 April 2007 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding as at 30 September 2007 | Option period | Exercise price per share |
| 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 |
| | 23 August 2007 | - | 7,930,000 | - | - | 7,930,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| Mr. Wong Tak Leung, Charles | 23 August 2007 | - | 1,000,000 | - | - | 1,000,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| Mr. Lai Ying Sum | 23 August 2007 | - | 1,000,000 | - | - | 1,000,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| Mr. Cheng King Hung | 23 August 2007 | - | 1,000,000 | - | - | 1,000,000 | 23 August 2007 to 22 August 2017 | HK\$0.63 |
| Total | | 21,114,000 | 34,720,000 | 21,114,000 | - | 34,720,000 | | |

Up to 30 September 2007, there were 51,374,500 share options under the Post-IPO Share Option Scheme have been exercised and no share options have been cancelled or lapsed.

Save as disclosed above, as at 30 September 2007, 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 5.68 of the GEM Listing Rules. During the reporting period, there were no debt securities issued by the Group.

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

Save as disclosed above, as at 30 September 2007, 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.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (“SFO”) 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 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 | Number of shares | Percentage of shareholdings |
|--|------------------|-----------------------------|
| Ms. Wong Yuen Yee | 183,178,500 | 15.52% |
| Mr. Wong Yao Wing, Robert | 183,178,500 | 15.52% |
| Multiturn Trading Limited (<i>Note 1</i>) | 97,362,000 | 8.25% |
| ABN AMRO Asset Management (Asia) Ltd (in its capacity as manager of various accounts) | 63,760,000 | 5.40% |

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. Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Robert and Multiturn Trading Limited are parties acting in concert under the Takeovers Code.

Save as disclosed above, as at 30 September 2007, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the Code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period.

CONTINGENT LIABILITIES

The Company and a subsidiary of the Group are defendants in a legal action involving the alleged default payment for one of the instalment payments to the plaintiff. The said subsidiary of the Group had acquired certain intellectual property in 2004 with consideration payable by quarterly installments and the Company is a guarantor.

The plaintiff is claiming for the amount of HK\$2,550,000, being the full remaining balances of the consideration payable to the plaintiff in June 2006, together with interest thereon and cost. The Group settled the disputed instalment payment as well as the subsequent instalments which were due for repayment from time to time. The remaining balance of the consideration payable of HK\$1,300,000 to the plaintiff as at 30 September 2007 had already been included in the Group's consolidated balance sheet.

The directors of the Company, based on legal advice, consider that the action will remain pending for a while but it can be successfully defended and therefore no further provision will be required.

Save as disclosed above, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes that establishment and implementation of good corporate governance standards helps the group to achieve its corporate objectives and fulfill the expectations of shareholders and stakeholders effectively. Therefore, the Board of Directors ("the Board") of the Company, with effect from 1 April 2005 has fully applied the principles and compiled with the requirements of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 to the GEM Listing Rules:–

- 1) Due to 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 A.1.1 and A.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 to members of the board and members of the managements taking up different position. The Board has delegated its 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, Mr. Lai Ying Sum and Mr. Cheng King Hung 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 2007 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.

By order of the Board
Wong Yuen Yee
Chairman

Hong Kong, 13 November 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
Mr. Lai Ying Sum
Mr. Cheng King Hung