



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

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

09/10

First Quarterly Report

* For identification purposes only



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics 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 a 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.

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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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) 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 that the contents are 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 on bases and assumptions 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*

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 Unibank 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 three months ended 30 September 2009 amounted to approximately HK\$999,000, representing a decrease of approximately 96.4% as compared to amount reported in the corresponding period in 2008.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$2,653,000 for the three months ended 30 September 2009.
- Basic loss per share amounted to HK0.11 cent for the three months ended 30 September 2009.
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2009.



CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 September 2009

The board of directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2009 as follow:

		Unaudited	
		Three months ended	
		30 September	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	999	27,494
Cost of sales		661	(23,824)
		<hr/>	<hr/>
Gross profit		338	3,670
Other revenue		7,457	1,926
Marketing and promotion expenses		(699)	(1,963)
Administrative expenses		(9,466)	(10,456)
Finance costs		(1,014)	(542)
Share of profit/(losses) of associates		731	(1,721)
		<hr/>	<hr/>
Loss before income tax		(2,653)	(9,086)
Income tax	3	<hr/> — <hr/>	<hr/> — <hr/>
(Loss) for the period		<hr/> (2,653) <hr/>	<hr/> (9,086) <hr/>
Loss per share			
— Basic	4(a)	<hr/> (0.11 cent) <hr/>	<hr/> (0.72 cent) <hr/>
— Diluted	4(b)	<hr/> N/A <hr/>	<hr/> N/A <hr/>



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 30 September 2009. The principal accounting policies adopted are disclosed in the Group’s 08/09 Annual Report dated 29 September 2009.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 08/09 Annual Report.

2. Turnover

Turnover represents design of residential intranet, provision of e-property management software application consulting services and trading of home-automation, provision of hotel services and other products in Hong Kong and the Peoples’ Republic of China (“PRC”).

	Unaudited	
	Three months ended	
	30 September	
	2009	2008
	HK\$’000	HK\$’000
Income from design of residential intranet, provision of home automation services and trading of related products	999	26,356
Income from hotel services	—	1,138
	999	27,494

3. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil).



4. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders for the three months ended 30 September 2009 of approximately HK\$2,653,000 (2008: HK\$9,086,000) and on the weighted average of 2,288,044,782 (2008: 1,268,589,048) ordinary shares in issue during the period.

(b) Diluted loss per share

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

5. Movements of reserves

	Share		Convertible	Notes	Capital		Investment		Accumulated	Total
	Capital	Premium	Options		Contributed	Redemption	Exchange	Revaluation		
	HK\$'000	HK\$'000	HK\$'000	Reserve	Surplus	Reserve	Reserve	Reserve	HK\$'000	HK\$'000
At 1 July 2008	24,544	342,866	23,220	—	5,625	43	(245)	—	(60,332)	335,721
Loss for the period	—	—	—	—	—	—	—	—	(9,086)	(9,086)
Issuance of shares	2,865	43,170	—	—	—	—	—	—	—	46,035
Share issuance cost	—	(1,548)	—	—	—	—	—	—	—	(1,548)
Exchange difference on consolidation	—	—	—	—	—	—	75	—	—	75
At 30 September 2008	27,409	384,488	23,220	—	5,625	43	(170)	—	(69,418)	371,197
At 1 July 2009	42,884	441,580	36,398	8,631	5,625	43	(205)	(640)	(451,332)	82,984
Loss for the period	—	—	—	—	—	—	—	—	(2,653)	(2,653)
Issuance of shares	3,349	7,830	(134)	(2,861)	—	—	—	—	—	8,184
Share issuance cost	—	(4)	—	—	—	—	—	—	—	(4)
Exchange difference on consolidation	—	—	—	—	—	—	108	—	—	108
At 30 September 2009	46,233	449,406	36,264	5,770	5,625	43	(97)	(640)	(453,985)	88,619



DIVIDEND

The Directors did not recommend the payment of a dividend for the three months ended 30 September 2009 (2008: Nil).

BUSINESS REVIEW

For the three months ended 30 September 2009, the Group's unaudited consolidated turnover amounted to approximately HK\$999,000 (2008: HK\$27,494,000).

The Group recorded a loss of approximately HK\$2,653,000 for the three months ended 30 September 2009 (2008: net loss HK\$9,086,000). Basic loss per share for the three months ended 30 September 2009 was HK0.11 cent (2008: HK0.72 cent).

The domestic sale of i-Panel and Adbus products and the provision of intranet design for residential communities remained the core business of the Group.

The Company has ventured into the mineral mining business in year 2009. The investment will enable us to enjoy the synergy brought about by applying and further developing our existing i-Panel products and solutions in the management control, exploitation and excavation of mineral mines. We intend to acquire further shareholding stake in the promising mineral business sector which would help to diversify the Group's business streams and to improve the financial results of the Group.

Investment in Gold Mining Industry

Reference is made to the announcements ("**Announcements**") of the Company dated 10 June 2009, 30 September 2009 and 6 October 2009 respectively and the circular (the "**Circular**") of the Company dated 11 September 2009. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Acquisition of 47.2% of the issued share capital of HK Gaofeng was completed on 27 October 2009. Subsequent to Completion, HK Gaofeng is owned as to 60.8% by Dragon Emperor, as to 1.8% by Inno Gold Mine and as to 37.4% by the Vendor. Dragon Emperor and Inno Gold Mine are wholly owned by the Company. Accordingly, HK Gaofeng became a subsidiary of the Company and is beneficially owned as to 62.6% by the Group.

As the approval for the acquisition of 81.5% equity interests in Zhang Jia Fan Gold Mine had been obtained from Jiangxi Commerce Administrative Bureau, Jiu Jiang Gaofeng became interested in 81.5% of Zhang Jia Fan Gold Mine on 9 July 2009. Accordingly, Zhang Jia Fan Gold Mine became an indirect subsidiary of the Company.



OUTLOOK

During the recent years, there has been a continuous increase in demand in gold consumption in China for domestic and investment purpose. Apart from import, China has excavated and refined approximately 246 tons of gold last year.

With the recent surge in gold price and the continuous anticipation of the rise in gold price in the near future, the Board considers that the gold mining business would be promising. The Group continues to seek opportunities to acquire valuable gold mines in China so as to maintain a sustainable profitability.

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE PERIOD AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as the Acquisition mentioned in section "BUSINESS REVIEW" of 47.2% of the issued share capital of HK Gaofeng was completed on 27 October 2009, there were no material acquisitions and disposals of investments by the Group during the three months ended 30 September 2009.

CONVERTIBLE NOTES

On 28 February 2009, the Company issued convertible notes with the principal amount of HK\$43,384,000 for the acquisition of approximately 23% interest in Great China Media Holdings Limited. The convertible notes, with maturity date of 28 February 2011, are convertible into Shares at an initial conversion price of HK\$0.0638 per Share during the conversion period. During the period from 28 February 2009 to 30 September 2009, the Company issued 381,128,526 Shares being the Shares converted from the convertible notes and the balance of the principal amount of the convertible notes as at 30 September 2009 was HK\$19,068,000 which will be converted into 298,871,474 Shares.

On 15 May 2009, the Company issued convertible notes with the total principal amount of HK\$16,680,000 for the acquisition of approximately 15.4% interest in HK Gaofeng. The convertible notes, with maturity date of 15 May 2010, are convertible into Shares at an initial conversion price of HK\$0.06 per Share during the conversion period. During the period from 15 May 2009 to 30 September 2009, the Company issued 277,999,999 Shares being the Shares converted from the convertible notes and there is no outstanding amount of the convertible notes as at 30 September 2009.



FOREIGN EXCHANGE RISK

Up to 30 September 2009, 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 exchange rate for the three months ended 30 September 2009.

EMPLOYEES

The number of employees (including Directors) was 46 as at 30 September 2009 (2008: 120), and the total staff costs (including Directors' remuneration) for the three months ended 30 September 2009 was approximately HK\$2,308,000 (2008: HK\$5,446,000). 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") was adopted on 5 July 2002 and 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 2009, there were 17,520,000 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. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 30 Sep 2009	Option period	Exercise price per share
		Outstanding as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	5 July 2002	–	–	–	–	5 July 2002 to 4 July 2012	HK\$0.28	
Employees	5 July 2002	4,800,000	–	4,800,000	–	5 July 2002 to 4 July 2012	HK\$0.28	
Total		4,800,000	–	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 head “Share Option Schemes” in Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 30 September 2009, there were 419,587,924 share options granted to the grantees and there were 232,048,059 shares options under the Post-IPO Share Option Scheme exercised and no options has been cancelled. The remaining 187,539,865 share options under the Post-IPO Share Option Scheme will lapse from 6 January 2014 to 28 May 2019. Details of which were as follows:

		Number of share options						
	Date of grant	Outstanding as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 Sep 2009	Option period	Exercise price per share
Directors	23 August 2008	34,720,000	—	—	—	34,720,000	23 August 2008 to 22 August 2017	HK\$0.63
Employees	6 January 2004	10,500	—	—	—	10,500	6 January 2004 to 5 January 2014	HK\$0.22
	20 September 2005	1,000,000	—	—	—	1,000,000	20 September 2005 to 19 September 2015	HK\$0.114
	23 August 2008	35,060,000	—	—	—	35,060,000	23 August 2008 to 22 August 2017	HK\$0.63
	9 September 2008	30,849,365	—	—	—	30,849,365	9 September 2008 to 8 September 2018	HK\$0.174
	11 September 2008	22,000,000	—	—	—	22,000,000	11 September 2008 to 10 September 2018	HK\$0.195
	24 Nov 2008	13,900,000	—	—	—	13,900,000	24 Nov 2008 to 23 Nov 2018	HK\$0.07
	16 Dec 2008	26,000,000	—	—	—	26,000,000	16 Dec 2008 to 15 Dec 2018	HK\$0.0762
	17 Feb 2009	12,000,000	—	—	—	12,000,000	17 Feb 2009 to 16 Feb 2019	HK\$0.099
	29 May 2009	12,000,000	—	—	—	12,000,000	29 May 2009 to 28 May 2019	HK\$0.088
Total		<u>187,539,865</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>187,539,865</u>		



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

(a) Directors' and chief executives' interest in the Company

As at 30 September 2009, the interests or short position of the Directors and the chief executives 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 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 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange are as follows:

(i) Beneficial interest and short position in Shares as at 30 September 2009

Name of Directors	Personal Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Ms. Wong Yuen Yee (Notes 1 & 2)	155,030,597	119,926,263	274,956,860	11.89%
Mr. Wong Kwok Sing (Notes 1 & 2)	7,678,500	119,926,263	127,604,763	5.52%
Mr. Wong Yao Wing, Robert (Note 1)	145,070,596	94,362,000	239,432,596	10.36%
Mr. Lam Shiu San (Note 1)	6,018,500	94,362,000	100,380,500	4.34%
Mr. Cheng King Hung (Note 3)	200,000	500,000	700,000	0.03%



Notes:

1. The 94,362,000 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 94,362,000 Shares held by Multiturn Trading Limited under the SFO.
2. The 25,564,263 Shares are held by Capital Base Holdings Limited, which is beneficially owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing. Accordingly each of Ms. Wong Yuen Yee and Mr. Wong Kwok Sing is deemed to be interested in the 25,564,263 Shares held by Capital Base Holdings Limited under the SFO.
3. Mr. Cheng King Hung is deemed to have an interest in 700,000 Shares, of which 200,000 Shares are held by him and his wife jointly and 500,000 Shares are held by his wife.

(ii) *Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at 30 September 2009*

Name of Directors	Date of grant	No. of shares attached to the option	Exercisable period	Exercise price per share
Ms. Wong Yue Yee	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Wong Kwok Sing	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Wong Yao Wing, Robert	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Lam Shiu San	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Wong Tak Leung	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Lai Ying Sum	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Cheng King Hung	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63



(iii) *Interests in associated corporation of the Group*

Name of Directors	Name of associated corporation	Approximately percentage of shareholding as at 30 September 2009
Ms. Wong Yuen Yee (<i>Note</i>)	Great China Media Holdings Limited	30.17%
Mr. Wong Kwok Sing (<i>Note</i>)	Great China Media Holdings Limited	30.17%

Note: Great China Media Holdings Limited is 30.17% owned by Capital Base Holdings Limited, which is beneficially owned as to 50% by Ms. Wong Yuen Yee and 50% by Mr. Wong Kwok Sing.

Save as disclosed above, as at 30 September 2009, 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 5.67 of the GEM Listing Rules.

Save as disclosed above, as at 30 September 2009, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other corporation, and neither the Directors and chief executives of the Company, nor any of their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.



INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 10% 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 of shareholders	Capacity	Number of Shares interested	Number of underlying Shares interested	Approximately percentage of shareholding
Multiturn Trading Limited	Corporate (Note 1)	94,362,000	—	4.00%
Capital Base Holdings Limited	Corporate (Note 2)	25,564,263	298,871,474 (Note 3)	14.03%

Notes:

- Multiturn Trading Limited is 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. Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu Saw are also directors of Multiturn Trading Limited.
- Capital Base Holdings Limited is beneficially owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing. Ms. Wong Yuen Yee and Mr. Wong Kwok Sing are also directors of Capital Base Holdings Limited.
- On 28 February 2009, the Company issued convertible notes with the principal amount of HK\$43,384,000 as consideration for acquisition of assets. The convertible notes, with maturity date of 28 February 2011, are convertible into Shares at an initial conversion price of HK\$0.0638 per Share during the conversion period. As at 30 September 2009, an equivalent of HK\$27,681,000 convertible bonds has been converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$19,068,000 were outstanding as at 30 September 2009.



Save as disclosed above, as at 30 September 2009, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 10% 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.

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.

SERVICE CONTRACTS OF DIRECTORS

None of the Directors had or proposed to enter any service contract with the Company or any other member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

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 installment 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 installment payment as well as the subsequent



installments which were due for repayment from time to time. The remaining balance of the consideration payable of HK\$50,000 to the plaintiff as at 30 September 2009 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 discussed 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 extent practicable. (Code Provisions A.1.1 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 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 three months ended 30 September 2009 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

By order of the Board

Wong Yuen Yee

Chairman

Hong Kong, 13 November 2009