INNO-TECH HOLDINGS LIMITED
匯創控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2016

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 high 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the "Directors") of Inno-Tech Holdings Limited (the "Company") 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 Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this announcement misleading.

* *For identification purpose only*

HIGHLIGHTS

- The Group's revenue from continuing operations for the year ended 30 June 2016 amounted to approximately HK$42,208,000, a increase of 7.6% from approximately HK$39,218,000 for the year ended 30 June 2015.

- Net loss attributable to owners of the Company amounted to HK$34,309,000 for the year ended 30 June 2016 compared to net gain of HK$716,253,000 for the year ended 30 June 2015.

- Basic and diluted loss per share from continuing operations was HK$0.04 for the year ended 30 June 2016 compared to basic and diluted earnings per share from continuing operations was HK$0.91 for the year ended 30 June 2015.

- The Directors do not recommend the payment of a final dividend for the year ended 30 June 2016.

The board of Directors (the "Board") of Inno-Tech Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2016, together with comparative figures for the year ended 30 June 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*4*	**42,208**	39,218
Cost of sales		**(41,163)**	(70,440)
Gross profit/(loss)		**1,045**	(31,222)
Other revenue	*5*	**189**	17,482
Other income	*5*	**33**	2
Marketing and promotion expenses		**(842)**	(1,795)
Administrative expenses		**(17,261)**	(29,610)
Finance costs	*6*	**(17,576)**	(29,980)
Changes in fair value of financial assets at fair value through profit or loss		**(27)**	28
Changes in fair value of derivative financial instruments		**–**	702,813
Gain arising from redemption of convertible notes		**–**	35,699
Gain arising from extension of promissory notes		**–**	13,432
Loss arising from extinguishment of convertible notes		**–**	(42,214)
Impairment loss on intangible assets		**–**	(171,899)
Impairment loss on goodwill		**–**	(3,527)
(Loss)/profit before income tax	*7*	**(34,439)**	459,209
Income tax	*8*	**130**	55,135
(Loss)/profit for the year from continuing operations		**(34,309)**	514,344
Discontinued operations			
(Loss)/profit for the year from discontinued operations		**–**	206,249
(Loss)/profit for the year		**(34,309)**	720,593
(Loss)/profit for the year attributable to:			
Owners of the Company		**(34,309)**	716,253
Non-controlling interests		**–**	4,340
		(34,309)	720,593
(Loss)/earnings per share attributable to the owners of the Company			
From continuing and discontinued operations			
– Basic and diluted *(HK$ per share)*	*9*	**(0.04)**	1.27
From continuing operations			
– Basic and diluted *(HK$ per share)*	*9*	**(0.04)**	0.91

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(34,309)**	720,593
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**1,044**	(434)
Reclassification adjustments relating to foreign operations disposed during the year	**–**	392
Other comprehensive income/(loss) for the year	**1,044**	(42)
Total comprehensive (loss)/income for the year	**(33,265)**	720,551
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(33,265)**	716,211
Non-controlling interests	**–**	4,340
	(33,265)	720,551

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**589**	855
Intangible assets		**423**	945
Goodwill		**–**	–
		1,012	1,800
Current assets			
Financial assets at fair value through profit or loss		**43**	70
Account receivables	*11*	**3,510**	2,214
Prepayments, deposits and other receivables		**21,094**	23,405
Cash and cash equivalents		**5,438**	7,506
		30,085	33,195
Current liabilities			
Account payables, accrued expenses and other payables	*12*	**45,044**	30,225
Borrowings		**44,500**	42,000
Promissory notes		**50,000**	46,693
Tax payable		**15,777**	16,906
		155,321	135,824
Net current liabilities		**(125,236)**	(102,629)
Total assets less current liabilities		**(124,224)**	(100,829)
Non-current liabilities			
Deferred taxation		**106**	236
Borrowings		**10,000**	–
		10,106	236
Net liabilities		**(134,330)**	(101,065)
Equity			
Share capital		**79,625**	79,625
Reserves		**(213,955)**	(180,690)
Equity attributable to the owners of the Company		**(134,330)**	(101,065)
Non-controlling interests		**–**	–
Total equity		**(134,330)**	(101,065)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to the owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share option reserve** *HK$'000*	**Convertible notes reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Other reserves** *HK$'000*	**Accumulated losses** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 July 2014	2,701	940,317	38,714	8,060	52,959	43	(841)	(743)	(2,045,024)	(1,003,814)	(10,558)	(1,014,372)
Profit for the year	–	–	–	–	–	–	–	–	716,253	716,253	4,340	720,593
Other comprehensive loss for the year:												
Items that may be reclassified subsequently to profit or loss:												
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(42)	–	–	(42)	–	(42)
Total comprehensive income for the year	–	–	–	–	–	–	(42)	–	716,253	716,211	4,340	720,551
Transfer to accumulated losses upon extinguishment of convertible notes	–	–	–	(8,060)	–	–	–	–	8,060	–	–	–
Issue of shares pursuant to the redemption of convertible notes	9,397	39,467	–	–	–	–	–	–	–	48,864	–	48,864
Issue of shares pursuant to the open offer	67,527	77,656	–	–	–	–	–	–	–	145,183	–	145,183
Open offer expenses	–	(7,509)	–	–	–	–	–	–	–	(7,509)	–	(7,509)
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	6,218	6,218
At 30 June 2015 and 1 July 2015	79,625	1,049,931	38,714	–	52,959	43	(883)	(743)	(1,320,711)	(101,065)	–	(101,065)
Loss for the year	–	–	–	–	–	–	–	–	(34,309)	(34,309)	–	(34,309)
Other comprehensive loss for the year:												
Items that may be reclassified subsequently to profit or loss:												
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	1,044	–	–	1,044	–	1,044
Total comprehensive income for the year	–	–	–	–	–	–	1,044	–	(34,309)	(33,265)	–	(33,265)
Lapse of share option	–	–	(86)	–	–	–	–	–	86	–	–	–
At 30 June 2016	79,625	1,049,931	38,628	–	52,959	43	161	(743)	(1,354,934)	(134,330)	–	(134,330)

1. GENERAL INFORMATION

Inno-Tech Holdings Limited (the "Company") was incorporated in Bermuda on 19 November 2001 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Suite B, 6/F., One Capital Place, 18 Luard Road, Wanchai, Hong Kong respectively.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are engaged in buses and bus stations advertising business in the People's Republic of China.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvement to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel service to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments does not have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of HKAS 40; and

b) the transaction meets the definition of business combination under HKFRS 3.

The application of these amendments does not have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 19 (2011) Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 (2011) clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments to HKAS 19 (2011) does not have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidated exception[3]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*
[3] *Effective for annual periods beginning on or after 1 January 2016*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidate financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede Hong Kong Accounting Standard ("HKAS") 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company considered that it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Hong Kong dollar is the Company's functional and presentation currency. These consolidated financial statements are presented in Hong Kong dollars ("HK$") rounded to the nearest thousand except when otherwise indicated.

(i) Going concern basis

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity not withstanding that:

- The Group had consolidated net current liabilities and net liabilities of approximately HK$125,236,000 and HK$134,330,000 as at 30 June 2016.

The directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

On 12 August 2016, the Company has entered into the Shares Placing Agreement, the First Deed of Amendment, the Second Deed of Amendment and the CB Placing Agreement for providing additional working capital for business development of the Group and to strengthen its capital base.

(a) The Company entered into placing agreement with a placing agent for placing an aggregate of 159,249,356 shares to not less than six shares placees at a price of HK$0.1 per placing share. The Company will be raised net proceed of approximately HK$14.45 million. The net proceed from issue of placing shares are mainly to be used for general working capital.

(b) The Company and Profit Eagle Limited ("Profit Eagle") entered into the First Deed of Amendment, pursuant to which the Company agreed with Profit Eagle, to convert the outstanding promissory notes of HK$50 million into the HK$60.5 million of convertible bond ("CB 1") with maturity of 24 months of the issuance date and to issue 75 million free new shares ("Free Shares") to Profit Eagle as compensation for the default payment under the promissory notes.

(c) The Company and Kuo Yi Hui, an independent third party, entered into the Second Deed of Amendment, pursuant to which the Company agreed with Kuo Yi Hui, to convert the outstanding borrowing of HK$42 million into HK$50 million of convertible bond ("CB 2") with maturity of 18 months of the issuance date.

(d) The Company entered into a placing agreement with the placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees, or failing which itself as principal on a fully underwritten basis, to subscribe for HK$25 million of convertible bonds ("CB 3") with maturity of 24 months of the issuance date by one or more tranches of not less than HK$0.5 million. The Company will be raised net proceed of approximately HK$23.25 million. The net proceed from issue of CB 3 are mainly to be used for general working capital.

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors, in light of the various measures or arrangements implemented or will be implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The applicability of the going concern basis is dependent on the favourable outcome of the proposed measures being implemented by the Group, in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These consolidated financial statements do not include any adjustments that may result if the measures could not be implemented successfully. If the proposed measures could not proceed successfully and the going concern basis was not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

4. REVENUE

Revenue represents income from the advertising operations in the People's Republic of China ("PRC"). The amount of revenue recognised during the year is as follow:

	2016	2015
	HK$'000	*HK$'000*
Continuing operations:		
Outdoor advertising on buses and bus stations	**42,208**	39,218

5. OTHER REVENUE AND OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Continuing operations:		
Other revenue		
Bank interest income	**10**	9
Compensation received	**–**	5,325
Sundry income *(note)*	**179**	12,148
	189	17,482
Other income		
Dividend income	**33**	2

Note:

During the year ended 30 June 2015, HK$11,040,000 included in the sundry income was related to the repayment received from a former director, Mr. Ang Wing Fung, in respect of expenses incurred by the Group in previous years.

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations:		
Interest on other borrowings wholly repayable within five years	**14,269**	5,365
Imputed interest on promissory notes	**3,307**	9,212
Imputed interest on convertible notes	**–**	15,403
	17,576	29,980

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2016	2015
	HK$'000	*HK$'000*
(a) Staff cost (including directors' emolument):		
Continuing operations:		
Contributions to defined contribution plan	**156**	718
Salaries, wages and other benefits	**7,218**	8,252
	7,374	8,970
Number of employees	**46**	44
(b) Other items		
Continuing operations:		
Amortisation of intangible assets	**522**	32,945
Auditors' remuneration	**800**	1,000
Depreciation on property, plant and equipment	**345**	421
Operating lease charges in respect of office premises	**572**	766
Exchange gain, net	**–**	(589)
Impairment loss on intangible assets	**–**	171,899
Impairment loss on goodwill	**–**	3,527
Changes in fair value of financial assets at fair value through profit or loss	**27**	(28)
Changes in fair value of derivative financial instruments	**–**	(702,813)
Gain arising from redemption of convertible notes	**–**	(35,699)
Gain arising from extension of promissory notes	**–**	(13,432)
Loss arising from extinguishment of convertible notes	**–**	42,214

The cost of sales includes the amortisation of intangible assets of approximately HK$522,000 (2015: HK$32,945,000).

8. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

(i) Income tax in the consolidated statement of profit or loss represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise income tax	**–**	–
Under provision in prior years		
PRC Enterprise income tax	**–**	220
Deferred tax		
Current year	**(130)**	(55,355)
Tax credit for the year	**(130)**	(55,135)

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 year (2015: HK$Nil).

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25%. No provision for PRC enterprise income tax has been made as the Group did not generate any assessable profits arising in the PRC during the year (2015: HK$220,000).

(ii) The tax credit for the year can be reconciled to the (loss)/profit before income tax per the consolidated statement of profit or loss as follows:

	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
(Loss)/profit before income tax (from continuing operations)	**(34,439)**		459,209	
Notional tax on (loss)/profit before income tax, calculated at rates applicable to profits in the countries concerned	**(5,680)**	**16.5**	75,883	16.5
Tax effect of expenses not deductible for tax purpose	**16,263**	**(47.2)**	56,521	12.3
Tax effect of income not taxable for tax purpose	**(10,713)**	**31.1**	(187,759)	(40.9)
Under provision in prior years	**–**	**–**	220	–
Income tax credit and effective tax rate for the year	**(130)**	**0.4**	(55,135)	(12.1)

9. (LOSS)/EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to the owners of the Company	**(34,309)**	716,253

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**796,246**	565,368

From continuing operations

The calculation of basic and diluted (loss)/earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share from continuing operations	**(34,309)**	514,344

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**796,246**	565,368

The denominator used are the same as those detail above for both basis and diluted earnings per share.

From discontinued operations

The Company does not have discontinued operation in 2016, and therefore no earning per share for discontinued operation for the year ended 30 June 2016 is presented.

Basic and diluted earning per share for the discontinued operation for the year ended 30 June 2015 is HK$0.36 cents, based in the profit for the year from the discontinued operation of approximately HK$201,909,000 and the denominators detailed above for both basic and diluted earning per share.

10. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment.

The Group has the following continuing operating segments during the year. These segments are managed separately. No operating segments have been aggregated to form the following reportable segments.

(1) Outdoor advertising on buses and bus stations: outdoor advertising operations on buses and bus stations in the PRC

(2) Television advertisements: television advertising operations in the PRC

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of central administration costs (e.g. directors' emoluments and finance costs). This is the measure reported to the CODM, for the purposes of resource allocation and performance assessment. Taxation (credit)/charge is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the profit or loss. There were no inter-segment sales during the year 2016 (2015: Nil).

All assets are allocated to reportable segments other than financial assets at fair value through profit or loss and unallocated corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than borrowings, deferred taxation, convertible notes, promissory notes and unallocated liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Continuing operations

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's continuing operations is set out below:

	Continuing operations					
	Outdoor advertising on buses and bus stations		**Television advertisements**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**42,208**	39,218	**–**	–	**42,208**	39,218
Reportable segment loss before income tax	**(3,907)**	(4,457)	**–**	(202,591)	**(3,907)**	(207,048)
Depreciation and amortisation	**(692)**	(5,963)	**–**	(27,037)	**(692)**	(33,000)
Other material non-cash items:						
– Impairment loss on intangible assets	**–**	–	**–**	(171,899)	**–**	(171,899)
– Impairment loss on goodwill	**–**	–	**–**	(3,527)	**–**	(3,527)
Reportable segment assets	**10,114**	11,861	**2,331**	2,515	**12,445**	14,376
Reportable segment liabilities	**12,830**	10,495	**19,319**	20,702	**32,149**	31,197
Additions to non-current assets	**80**	74	**–**	–	**80**	74

(b) *Reconciliation of reportable segment revenues, profit or loss, assets and liabilities*

	2016	2015
	HK$'000	*HK$'000*
Continuing operations:		
Revenue		
Total reportable segment revenues	**42,208**	39,218
Profit or loss		
Reportable segment loss derived from Group's external customers	**(3,907)**	(207,048)
Other revenue and other income	**111**	9,159
Finance costs	**(17,576)**	(29,980)
Change in fair value of derivative financial instruments	**–**	702,813
Gain arising from redemption of convertible notes	**–**	35,699
Gain arising from extension of promissory notes	**–**	13,432
Loss arising from extinguishment of convertible notes	**–**	(42,214)
Unallocated head office and corporate expenses	**(13,067)**	(22,652)
(Loss)/profit before income tax	**(34,439)**	459,209
Assets		
Total reportable segment assets	**12,445**	14,376
Deposit paid for acquisition of a subsidiary	**15,000**	15,000
Financial assets at fair value through profit or loss	**43**	70
Unallocated corporate assets	**3,609**	5,549
Consolidated total assets	**31,097**	34,995
Liabilities		
Total reportable segment liabilities	**32,149**	31,197
Liabilities related to intelligent system (now discontinued)	**11,393**	11,393
Borrowings	**54,500**	42,000
Promissory notes	**50,000**	46,693
Deferred taxation	**106**	236
Unallocated corporate liabilities	**17,279**	4,541
Consolidated total liabilities	**165,427**	136,060

(c) Geographic information

As all segments of the Group are operating in the PRC, including Hong Kong, no geographic information has further been disclosed.

(d) Information about major customers

For the year ended 30 June 2016, there was one customer (2015: no) accounted for over 10% of total revenue of the Group.

11. ACCOUNT RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Debtors	**3,510**	2,214

(a) Ageing analysis

The following set out the ageing analysis of account receivables (net of allowance for doubtful debts) as of the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Current	**1,549**	35
Less than 1 month past due	**278**	500
1 to 3 months past due	**314**	1,114
Over 3 months past due	**1,369**	565
	3,510	2,214

The Group's trading terms with customers are on credit. The credit period is generally from nil to 30 days. No interest is charged on account receivables and the Group does not hold any collateral over these balances.

12. ACCOUNT PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Account payables *(notes (i) and (ii))*	**820**	191
Accrued expenses and other payables	**41,521**	28,401
Purchase consideration payable	**196**	196
Receipts in advance	**2,507**	1,437
	45,044	30,225

Notes:

(i) The following is an ageing analysis of account payables presented based on invoice date as at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**–**	–
1 to 3 months	**820**	191
Over 1 year	**–**	–
	820	191

(ii) The credit period of account payables is generally from nil to 30 days.

13. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 30 June 2016 (2015: Nil).

14. DISPOSAL OF SUBSIDIARIES

On 25 April 2014, the Company entered into the conditional sale and purchase agreement (the "Sale and Purchase Agreement") to dispose the outdoor advertising on billboards and outdoor display spaces operations. The outdoor advertising on billboards and outdoor display spaces operation were discontinued following the disposal of Redgate Ventures Limited ("Redgate"), a direct wholly-owned subsidiary of the Company, and its subsidiaries (collectively known as the "Redgate Group"), which carried out all of the Group's outdoor advertising on billboards and outdoor display spaces operation. As the conditions precedent to the Sale and Purchase Agreement have not been fulfilled on or before 31 August 2014, being the long stop date for the fulfillment of the conditions, the Company and the purchaser agreed to terminate the Sale and Purchase Agreement. Accordingly, the Company and the purchaser entered into the termination deed on 1 September 2014 pursuant to which the parties agreed that the Sale and Purchase Agreement be terminated and all antecedent obligations and liabilities of the parties under the Sale and Purchase Agreement should be absolutely discharged and released immediately upon the signing of the termination deed and no party should have any claim against the other party in respect of any matter or thing arising out of or in connection with the Sale and Purchase Agreement.

On 1 September 2014, the Company and the new purchaser entered into the new sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the new purchaser conditionally agreed to purchase Redgate Group at cash consideration of HK$600,000. The disposal of Redgate Group was completed on 17 November 2014.

Summary of the effects of the disposal of Redgate Group are as follows:

	HK$'000
Net liabilities disposed of:	
Available-for-sale financial assets	1
Property, plant and equipment	89
Accounts receivable	31,649
Prepayments, deposits and other receivables	23,756
Prepaid advertising placement service costs	10,906
Cash and cash equivalents	17,913
Trade payables, accrued expenses and other payables	(297,791)
Tax payable	(15,512)
	(228,989)
Non-controlling interests	6,218
Net liabilities disposed of	(222,771)

Gain on disposal of subsidiaries:

	HK$'000
Consideration received	600
Net liabilities disposed of	222,771
Reclassification of exchange reserve upon disposal of subsidiaries to profit or loss	(392)
Gain on disposal	222,979

Net cash outflow on disposal of Redgate Group:

	HK$'000
Consideration received in cash and cash equivalents	600
Less: Cash and cash equivalents disposed of	(17,913)
	(17,313)

Gain on disposal is included in profit for the year ended 30 June 2015 from discontinued operations in the consolidated statement of profit or loss and other comprehensive income and the impact of Redgate Group on the Group's results and cash flows in the prior year is disclosed in annual report.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract from the report issued by Elite Partners CPA Limited on the consolidated financial statements of the Group for the year ended 30 June 2016:

BASIS FOR QUALIFIED OPINION

Scope limitation-Opening balances, corresponding figures and comparative financial statements

The corresponding figures and comparative financial statements in the current year's financial statements were derived from the financial statements for the year ended 30 June 2015 which contained a disclaimer of audit opinion, details of the qualifications were set out in the auditor's report dated 28 January 2016. We have not been able to obtain sufficient appropriate audit evidence as to whether (i) the opening balances for the year ended 30 June 2016 were free from material misstatement; and (ii) the corresponding figures and comparative financial statements were properly recorded and accounted for, in compliance with the requirements of applicable Hong Kong Financial Reporting Standards.

There were no alternative audit procedures to satisfy ourselves as to whether the opening balances, corresponding figures and comparative financial statements were free from material misstatement. Any adjustments that might have been found to be necessary would have had a consequential impact on the net liabilities of the Group as at 30 June 2016, results of the Group for the year ended 30 June 2016 and the related disclosures thereof in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to note 3(b)(i) to the consolidated financial statements which indicates that the Group has net current liabilities of approximately HK$125,236,000 as at 30 June 2016. These conditions, along with other matters as set out in note 3(b)(i) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group' s ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL PERFORMANCE

Inno-Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in buses and bus stations advertising business in the People's Republic of China (the "PRC").

The Group reported a turnover of approximately HK$42,208,000 for the year ended 30 June 2016, representing a increase of approximately 7.6% compared with the turnover of approximately HK$39,218,000 for the year ended 30 June 2015. During the 12 months of operation, all the turnover contributed from advertising business.

The marketing and promotion expenses for the year ended 30 June 2016 amounted to approximately HK$842,000, which were arising from the buses and bus stations advertising business, representing a reduction of HK$953,000 or 53.1% as compared with that of HK$1,795,000 in the last corresponding year. The reduction was resulted from the effective cost control management during the year.

The administrative expenses for the year ended 30 June 2016 decreased by approximately HK$12,349,000 to approximately HK$17,261,000 (2015: approximately HK$29,610,000), which was mainly due to the payment of legal and professional fees for the other corporate transactions was made in the last corresponding year.

Basic loss per share from continuing operations as at 30 June 2016 was HK$0.04 (2015: basic earnings per share HK$0.91).

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: Nil).

Buses and bus stations advertising business in PRC

The Group continues to focus on the business operations of having outdoor advertising on buses and bus stations. It now pursues the development in the following possible ways:

– Expands the advertising network;

– Expands the customer base;

– Increases the utilization of the Group's media resources;

– Enhances pricing strategy; and

– Focuses on sales and marketing.

During the year ended 30 June 2016, the Group's bus advertising business in PRC reported a 7.6% increase in revenue to HK$42,208,000 from HK$39,218,000 in 2015.

PROSPECTS

The Board will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the Shareholders.

The Board will take a cautious and conservative approach in the evaluation and timing of potential projects or investments, including and constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and Company's shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the net current liabilities of the Group were approximately HK$125,236,000 (2015: net current liabilities HK$102,629,000). Out of the current assets as at 30 June 2016, approximately HK$5,438,000 (2015: HK$7,506,000) were cash and cash equivalents. The current ratio of the Group as at 30 June 2016 was 0.19 (2015: 0.24). As at 30 June 2016, the Group has borrowings of HK$54,500,000 (2015: HK$42,000,000) and other debts (include the principal amount of promissory notes) of HK$50,000,000 (30 June 2015: HK$46,693,000) denominated in Hong Kong dollars. The net debt (i.e. total short-term borrowings and other debts less cash and cash equivalent) as at 30 June 2016 was HK$89,062,000 (2015: HK$81,187,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 June 2016 was Nil (2015: Nil).

The Group did not have any stand-by banking facilities at 30 June 2016 and 2015.

As at 30 June 2016, the Group had cash and cash equivalents (the "Liquidity Resources") of approximately HK$5,438,000 (2015: HK$7,506,000) which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings and equity financing.

Save as disclosed in this announcement, the Group has no material capital expenditure commitments as at 30 June 2016.

CAPITAL STRUCTURE

As at 30 June 2016, the Company's issued share capital was HK$79,624,678.40 and the number of its issued ordinary shares was 796,246,784 of HK$0.10 each.

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

The Group did not make any material acquisition or disposal during the year.

In addition, the Group is constantly looking for any other business opportunities for new possible potential investment to improve the standard performance of the Group and improve Shareholders' return.

CHARGES OF ASSETS

The Company has charged all its equity interests in four companies wholly owned by the Company to secure the borrowing of the Group as at 30 June 2016 and 2015.

FOREIGN CURRENCY EXCHANGE RISK

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2016, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB, used by the respective group entities.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 2016, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 June 2016, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total 46 employees (2015: 44), and the total remuneration for the year ended 30 June 2016 was approximately HK$7,218,000 (2015: HK$8,881,000). The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: Nil) and no interim dividend was paid during the year (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

AUDIT COMMITTEE

The audit committee of the Company ("AC") was set up on 5 July 2002 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the AC are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this announcement, the AC comprises of three members, Mr. Lee Ho Yiu, Thomas, Mr. Tse Yuen Ming and Ms. Liu Jianyi, all being independent non-executive Directors. The AC held five meetings during the year. The Group's audited results for the year ended 30 June 2016 have been reviewed by the AC, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The AC is chaired by Mr. Lee Ho Yiu, Thomas.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

Throughout the year ended 30 June 2016, the Company has complied with most of the Code Provisions of the CG Code, except for the following deviations.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

CODE PROVISION A.2.1

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

During the year ended 30 June 2016, the Company has not appointed Chairman since 23 January 2015, and the roles and functions of the Chairman have been performed by all the executive Directors collectively.

During the year ended 30 June 2016, the Company has not appointed CEO since 9 April 2015, and the roles and functions of the CEO have been performed by all the executive Directors collectively.

CODE PROVISION A.6.7 AND E.1.2

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. During the year ended 30 June 2016, the annual general meeting of the Company (the "AGM") held on 24 March 2016, Mr. Tse Yuen Ming did not attend the said AGM to answer questions of the shareholders of the Company due to other prior business engagements or other overseas commitments. However, Mr. Tse has appointed the other attended Directors as his representative at the said AGM to answer questions of the shareholders of the Company.

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE GEM LISTING RULES

On 30 September 2015, the Board announced that the Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the annual results for the financial year ended 30 June 2015 (the "2015 Annual Results"); and (ii) publishing the related annual report for the year ended 30 June 2015 (the "2015 Annual Report"). As such delay has constituted non-compliance with Rules 18.03 and 18.49 of the GEM Listing Rules.

On 13 November 2015, the Board further announced that as a result of the delay in the publication of the announcement of the 2015 Annual Results and despatch of the 2015 Annual Report, the Company was also not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the first quarterly results for the three months ended 30 September 2015 (the "2016 First Quarterly Results") and despatch of the first quarterly report; and (ii) publishing the related first quarterly report for the three months ended 30 September 2015 (the "2016 First Quarterly Report"). As such delay has constituted non-compliance with Rules 18.66, 18.67 and 18.79 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 ("Securities Code") of the GEM Listing Rules. During the year ended 30 June 2016, the Directors have confirmed, following specific inquiry by the Company, that they have complied with the required standard and code of conduct set out in the Securities Code.

INTERNAL CONTROL

The Board is committed to implement an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets.

To further monitor and assess the effectiveness of the internal control system, the Company has appointed Elite Partners Risk Advisory Services Limited ("Elite Partners") as the internal control advisor of the Group to perform quarterly review on the risk management function and the audit on the internal control system. Elite Partners have sent out the significant findings in their internal audit report as follow:

(i) the annual results of the Company has not been published for the year ended 30 June 2015 with the time requirements of the Rule Governing the Listing of Securities on the Growth Enterprise Market.

(ii) Lack of communication with stakeholder and address each stakeholder's need. Therefore, all of resolution proposed by the management in the Annual general meeting has been vote against.

In accordance with the internal audit report, the Company has performed follow up action with above significant findings and those follow up are as below:

(i) the results announcement has been published on 28 January 2016.

(ii) the Group has established a questionnaire to major shareholder and those shareholders complete the question. Therefore, the Group has identified the needs of significant stakeholder via the questionnaire and maintained proper communication with the major stakeholders.

After reviewing the follow up action performed by the Group, Elite Partners consider that the Group has maintained an effective and efficiency internal control system.

LITIGATION

During the year and up to the date of this announcement, the Group has been involved in the following legal proceedings:

(a) On 31 August 2010, a writ of summons was issued by Mr. Lim Yi Shenn as the plaintiff ("Plaintiff") against Ms. Wong Yuen Yee, an ex-director of the Company, Mr. Wong Yao Wing, Robert, an ex-director of the Company and the Company (collectively "Defendants"). The Plaintiff claimed against each of the Defendants for damages for various misrepresentations allegedly made by the Defendants in relation to certain investment agreement and placing agreement of April and June 2008. The Plaintiff has filed a statement of claim setting out the particulars of his claims against the Defendants and claiming damages for misrepresentation in the amount of approximately HK$15,838,000 and/or, alternatively, the return of a sum of HK$10,000,000 by the Defendants based upon an alleged admission of liability made by the Defendants. The Defendants denied the Plaintiff's claims and vigorously contested such claims.

    The Plaintiff's claims came before the Honourable Deputy High Court Judge Wilson Chan for trial on 3 to 7, 10 to 13, 18 and 19 November 2014 and Judgment was handed down by the Honourable Deputy High Court Judge Wilson Chan on 29 January 2015 ("the Judgment"). By the Judgment, the Honourable Deputy High Court Judge Wilson Chan dismissed all the Plaintiff's claims with costs to the Defendants.

    The Plaintiff served a Notice of Appeal against the Judgement on 4 March 2015, and his appeal was heard on 12 July 2016 with Judgment reserved.

    The directors, based on legal advice, consider that the Plaintiff does not have any valid claim against the Company at all and the Company has good defence to the claims. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

(b) On 14 January 2011, a Writ of Summons was issued by Smart Step Holdings Limited ("SSHL") as the plaintiff against the Company, Inno-Gold Mining Limited ("IGML") and Dragon Emperor International Limited ("DEIL"). DEIL and IGML were the subsidiaries of the Company until 9 May 2011 when the Company disposed all its interest in them.

In the said case SSHL alleged that Ms. Wong Yuen Yee and Mr. Wong Yao Wing had acted negligently and/or had breached their duties during their time as executives and directors of the Company, DEIL and IGML.

The substantive hearing of this case was adjourned sine die pursuant to the court order dated 15 April 2011, and currently there is no hearing listed for this case. This case remains dormant as at the date of approval of these consolidated financial statements.

The directors, based on legal advice, consider that the case does not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

(c) On 30 January 2015, the Securities and Futures Commission ("the Petitioner") presented a Petition to the High Court under section 214 of the Securities and Futures Ordinance, Cap. 571 ("the Petition") against the Company and 4 ex-directors of the Company, namely, Wong Yuen Yee, Wong Yao Wing, Robert, Wong Kwok Sing and Lam Shiu San (collectively "the Ex-Directors"). It is the Petitioner's complains that the Ex-Directors had conducted the business or affairs of the Company in a manner involving misfeasance or misconduct toward the Company, its members or any part of its members and/or unfairly prejudicial to its members or any part of its members.

By the Petition the Petitioner sought an order that the Company shall bring in its name civil proceedings against the Ex-Directors to seek recovery of compensation or loss and damages suffered by the Company as a result of such misfeasance or misconduct or unfairly prejudicial conduct and also disqualification of the ex-directors to be director, liquidator, or receiver or manager of any listed or unlisted company in Hong Kong or from taking part in the management of any listed or unlisted company in Hong Kong on such terms and for such periods as the Court shall think fit and/or other reliefs.

The Company has sought independent legal advice on the Petition and the Petition has been scheduled for hearing on 29 April 2015.

According to the order of the High Court, the Company has filed and served the writ on 8 March 2016 and the case no. is HCA 489 of 2015.

The directors, based on legal advice, consider that the case does not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

By order of the Board
Ha Chuen Yeung
Chairman

Hong Kong, 31 August 2016

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Ha Chuen Yeung, Mr. Lau King Hang and Dr. Chan Yiu Wing; and three independent non-executive Directors, namely Mr. Lee Ho Yiu, Thomas, Mr. Tse Yuen Ming and Ms. Liu Jianyi.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company.