



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

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



Third Quarterly Report

**08/09**

\* 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 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 decision to invest only after due and careful consideration. The greater risk profile and other characteristic of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Ms. Wong Yuen Yee (*Chairman*)

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

Mr. Wong Kwok Sing

Mr. Lam Shiu San

Mr. Wong Tak Leung, Charles\*

Mr. Lai Ying Sum\*

Mr. Cheng King Hung\*

\* *Independent non-executive Directors*

### **COMPLIANCE OFFICER**

Mr. Wong Yao Wing, Robert

### **AUTHORISED REPRESENTATIVES**

Mr. Wong Yao Wing, Robert

Ms. Wong Yuen Yee

### **COMPANY SECRETARY**

Mr. Li Kar Fai, Peter, *CPA*

### **QUALIFIED ACCOUNTANT**

Mr. Li Kar Fai, Peter, *CPA*

### **AUDIT COMMITTEE MEMBERS**

Mr. Wong Tak Leung, Charles

(*Chairman of audit committee*)

Mr. Lai Ying Sum

Mr. Cheng King Hung

### **AUDITORS**

PCP CPA Limited

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

Troutman Sanders (*as to Hong Kong Laws*)

### **PRINCIPAL BANKERS**

Banco de Oro 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 nine months ended 31 March 2009 amounted to approximately HK\$37,305,000, representing an increase of approximately 37.03% as compared to amount reported in the corresponding period in 2008.
- Loss attributable to equity holders amounted to approximately HK\$96,911,000 for the nine months ended 31 March 2009.
- Basic loss per share amounted to HK6.70 cents for the nine months ended 31 March 2009.
- The Board did not recommend the payment of a dividend for the nine months ended 31 March 2009.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 March 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 and nine months ended 31 March 2009, together with comparative figures for the three months and nine months ended 31 March 2008 are as follow:-

	Notes	Unaudited Three months ended 31 March		Unaudited Nine months ended 31 March	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>	2	<b>1,021</b>	39,665	<b>37,305</b>	100,750
Cost of sales		<b>(901)</b>	(28,560)	<b>(32,079)</b>	(73,666)
Gross profit		<b>120</b>	11,105	<b>5,226</b>	27,084
Other revenue		<b>4,792</b>	8,772	<b>5,151</b>	13,364
Marketing and promotion expenses		<b>(765)</b>	(1,902)	<b>(4,293)</b>	(4,785)
Administrative expenses		<b>(18,562)</b>	(15,705)	<b>(44,181)</b>	(26,598)
Finance costs		<b>(435)</b>	(449)	<b>(1,572)</b>	(1,103)
Loss on disposal of subsidiary		<b>(57,134)</b>	–	<b>(57,134)</b>	–
Share of losses of associates		<b>(93)</b>	(7,632)	<b>(93)</b>	(7,632)
<b>(Loss)/profit before income tax</b>		<b>(72,077)</b>	(5,811)	<b>(96,896)</b>	330
Income tax	3	<b>(10)</b>	–	<b>(15)</b>	(37)
<b>(Loss)/profit attributable to equity holders of the Company</b>		<b>(72,087)</b>	(5,811)	<b>(96,911)</b>	293
(Loss)/earnings per share					
– Basic	4(a)	<b>(4.44) cents</b>	(0.48) cent	<b>(6.70) cents</b>	0.02 cent
– Diluted	4(b)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

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 June 2008. The principal accounting policies adopted are disclosed in the Group’s 07/08 Annual Report dated 29 September 2008.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 07/08 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”).

**3. Income tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the period.

**4. (Loss)/earnings per share**

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

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders for the three months and nine months ended 31 March 2009 of approximately HK\$(72,087,000) and HK\$(96,911,000) respectively (2008: HK\$(5,811,000) and profit of HK\$293,000 respectively) and on the weighted average of 1,621,788,920 and 1,447,400,724 respectively (2008: 1,206,336,704 and 1,183,820,362 respectively) ordinary shares in issue during the period.

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

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

## 5. Movements of reserves

	Share Capital HK\$'000	Share Premium HK\$'000	Employee Compen- sation Reserve HK\$'000	Convertible Notes Reserve HK\$'000	Contributed Surplus HK\$'000	Capital Redemption Reserve HK\$'000	Exchange Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 1 July 2007	22,225	298,193	464	160	5,625	43	(34)	9,855	336,531
Profit for the period	-	-	-	-	-	-	-	293	293
Total recognised income and expenses for the period	-	-	-	-	-	-	-	293	293
Issuance of shares	2,083	26,638	(378)	(160)	-	-	-	-	28,183
Share issuance cost	-	(256)	-	-	-	-	-	-	(256)
Exchange difference on consolidation	-	-	-	-	-	-	(63)	-	(63)
At 31 March 2008	<u>24,308</u>	<u>324,575</u>	<u>86</u>	<u>-</u>	<u>5,625</u>	<u>43</u>	<u>(97)</u>	<u>10,148</u>	<u>364,688</u>
At 1 July 2008	24,544	342,866	23,220	-	5,625	43	(245)	(60,332)	335,721
Loss for the period	-	-	-	-	-	-	-	(96,911)	(96,911)
Total recognised income and expenses for the period	-	-	-	-	-	-	-	(96,911)	(96,911)
Issuance of share	8,465	64,318	-	-	-	-	-	-	72,783
Share issuance cost	-	(1,862)	-	-	-	-	-	-	(1,862)
Issuance of convertible notes	-	-	-	13,128	-	-	-	-	13,128
Exercise of convertible notes, net of transaction cost	1,223	2,677	-	(1,180)	-	-	-	-	2,720
Exchange difference on consolidation	-	-	-	-	-	-	77	-	77
At 31 March 2009	<u>34,232</u>	<u>407,999</u>	<u>23,220</u>	<u>11,948</u>	<u>5,625</u>	<u>43</u>	<u>(168)</u>	<u>(157,243)</u>	<u>325,656</u>

## **DIVIDEND**

The Directors did not recommend the payment of a dividend for the nine months ended 31 March 2009 (2008: Nil).

## **BUSINESS REVIEW**

For the nine months ended 31 March 2009, the Group's unaudited consolidated turnover amounted to approximately HK\$37,305,000 (2008: HK\$100,750,000).

The Group recorded a net loss of approximately HK\$96,911,000 for the nine months ended 31 March 2009 (2008: net profit HK\$293,000). Basic loss per share for the nine months ended 31 March 2009 was HK6.70 cents (2008: basic earnings per share: HK0.02 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. As it is the dual corporate strategy of the Group to strengthen its existing business and at the same time identifying and capitalizing new opportunities to achieve financial growth for the Group and to maximum shareholders' value, the Group continues expanding into industries such as economy hotel industry, outdoor advertising and display industry and mineral industry.

### **Investment in Great China Media Holdings Limited**

On 10 December 2008, the Group entered into the Sale and Purchase Agreement with Capital Base Holdings Limited to which the Group acquired approximately 23% of the issued share capital of Great China Media Holdings which is principally engaged in the business of the provision of advertising related consultation services. The Directors are of the view that the external walls and certain interior area of the hotels within the hotel portfolio managed by the Group present excellent benefits and synergies which will generate additional income for the Group.

### **Investment in Gold Mining Industry**

On 6 May 2009, the Group acquired the entire issued share capital of Dragon Emperor International Limited. Dragon Emperor is interested in 13.6% of Gaofeng Holding Co. Limited which is interested in the entire equity interest in Jiu Jiang Gaofeng Mining Company Limited. Jiu Jiang Gaofeng Mining Company Limited has entered into the Management Agreement with Da Xing City Zhang Jia Fan Gold Mine.

Zhang Jia Fan Gold Mine is a shareholding cooperative company established under the laws of the PRC on 18 July 1996 and is engaged in the business of operating gold mines, mineral flotation and excavation in the PRC. The major asset of Zhang Jia Fan Gold Mine is its mining right in respect of a gold mine located in De Xing Shi of Jiangxi Province, PRC covering a mining area of approximately 0.4970 km<sup>2</sup>. According to a valuation report prepared by Greater China Appraisal Limited, an independent professional valuer, the value of expected EBITDA of Zhang Jia Fan Gold Mine as at 28 April 2009 was approximately RMB170,000,000 (equivalent to approximately HK\$195,000,000).



The Directors are of the view that the Acquisition above will enable the Group to enjoy the synergy brought about by (1) applying and further developing the Group's existing i-Panel and its integrated hardware and software solutions in the management control, financial and cost control, exploitation and excavation of gold mines operated by the Target Group; (2) developing new software solutions to ensure efficient and safe exploitation and excavation tailor-made for gold mines in the PRC based on the Group's experience in software research and development; and (3) acquiring a shareholding stake in the promising mineral business sector which would help diversifying the Group's business streams and improving the financial results of the Group.

### **Disposal of Autoscale Resources Limited (“Autoscale”)**

On 16 February 2009, the Group entered into the Sale and Purchase Agreement with Certain Success Holdings Limited pursuant to which the Group has agreed to sell and Certain Success Holdings Limited has agreed to acquire 56% of the issued share capital of Autoscale. The disposal was completed in March 2009.

The sole asset of Autoscale is 12,000,000 shares in China Health Care Corporation (“CHCC”), representing approximately 23.93% of the total issued share capital of CHCC. CHCC is a company incorporated in the State of Wyoming, United States. CHCC is principally engaged in the business of infrastructure investment in boutique units in hospitals or medical centres and providing hospital management and medical consultation services through co-operation with hospitals and medical institutions in the PRC and Macau.

With the economic downturn, the Group considered that it would be more appropriate to focus its human and financial resources on the business sector with a more promising growth in the years to come. After the disposal of Autoscale, the Group will focus its resources on the hotel, outdoor advertising and mineral sectors, which in the opinion of the Directors, would yield a higher profit margin with more growth potential. The Directors are of the view that the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Group which is fair and reasonable and in the interests of the Shareholders as a whole.

### **OUTLOOK**

The recent economic sluggishness could present opportunities for the Group's long term investments which enhance the Group's further expansion into different business sectors in the PRC.

The Group, through its Board and management, has demonstrated its commitment to identify and capitalize new opportunities to achieve the financial growth for the Company and to maximize shareholder value.

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

There were no material acquisitions and disposals of investments by the Group during the nine months ended 31 March 2009.

## EMPLOYEES

The number of employees (including Directors) was 120 as at 31 March 2009 (2008: 25), and the total staff costs (including Directors' remuneration) for the nine months ended 31 March 2009 was approximately HK\$14,118,000 (2008: HK\$11,120,000). Other benefits provided by the Group to the employees include MPF, medical coverage and share-based payments.

## SHARE OPTION SCHEME

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

The Company's pre-IPO share option scheme ("Pre-IPO Share Option Scheme") adopted on 5 July 2002, the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 (the "Prospectus"), there were 24,000,000 share options granted. Up to 31 March 2009, there were 17,520,000 share options 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 follow:-

	Date of grant	Number of share options					Option period	Exercise price per share
		Outstanding as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2008		
Directors	5 July 2002	-	-	-	-	-	5 July 2002 to 4 July 2012	HK\$0.28
Employees	5 July 2002	4,800,000	-	4,800,000	-	4,800,000	5 July 2002 to 4 July 2012	HK\$0.28
Total		<u>4,800,000</u>	<u>-</u>	<u>4,800,000</u>	<u>-</u>	<u>4,800,000</u>		

**(ii) Post-IPO Share Option Scheme**

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section “Share Option Schemes” on Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 31 March 2009, there were 407,587,924 share options granted and there were 232,048,059 share options under the Post-IPO Share Option Scheme have been exercised and no options has been cancelled or lapsed. Details of which were as follow:–

	Date of grant	Number of share options				Outstanding as at 31 March 2009	Option period	Exercise price per share
		Outstanding as at 1 July 2008	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	23 August 2007	34,720,000	-	-	-	34,720,000	23 August 2007 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 2007	35,060,000	-	-	-	35,060,000	23 August 2007 to 22 August 2017	HK\$0.63
	9 September 2008	-	88,664,984	57,815,619	-	30,849,365	9 September 2008 to 8 September 2018	HK\$0.174
	11 September 2008	-	34,000,000	12,000,000	-	22,000,000	11 September 2008 to 10 September 2018	HK\$0.195
	24 November 2008	-	41,700,000	27,800,000	-	13,900,000	24 November 2008 to 23 November 2018	HK\$0.07
	16 December 2008	-	61,000,000	35,000,000	-	26,000,000	16 December 2008 to 15 December 2018	HK\$0.0762
	17 February 2009	-	12,000,000	-	-	12,000,000	17 February 2009 to 16 February 2019	HK\$0.099
	Total		<u>70,790,500</u>	<u>237,364,984</u>	<u>132,615,619</u>	<u>-</u>	<u>175,539,865</u>	

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, the interests and short positions of the Directors, the chief executive of the Company and their respective associates (as defined in the GEM listing Rules) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (a) Long positions in shares of the Company ("Shares"):

Name of Director	Nature of interests	Number of Shares interested	Approximate percentage of shareholding <i>(Note 1)</i>
Ms. Wong Yuen Yee	Personal	155,030,597	9.06%
	Corporate <i>(Note 2)</i>	738,797,737	43.16%
Mr. Wong Kwok Sing	Personal	7,678,500	0.45%
	Corporate <i>(note 3)</i>	738,797,737	43.16%
Mr. Wong Yao Wing, Robert	Personal	145,070,596	8.48%
	Corporate <i>(note 4)</i>	94,362,000	5.51%
Mr. Lam Shiu San	Personal	6,018,500	0.35%
	Corporate <i>(note 4)</i>	94,362,000	5.51%
Mr. Cheng King Hung	Personal	200,000	0.01%
	Associate <i>(note 7)</i>	500,000	0.03%

*Notes:*

1. As at 31 March 2009, the total number of issued shares of the Company was 1,711,635,678.
2. Ms. Wong Yuen Yee is deemed to be interested in 738,797,737 of which 94,362,000 Shares by virtue of her beneficial interest in Multiturn Trading Limited as described in note (4), 25,564,263 Shares by virtue of her beneficial interest in Capital Base Holdings Limited as described in note (5) and the underlying 618,871,474 Shares from convertible bonds in the Company by virtue of her beneficial interests in Capital Base Holdings Limited as described in note (6).
3. Mr. Wong Kwok Sing is deemed to be interested in 738,797,737 of which 94,362,000 Shares by virtue of his beneficial interest in Multiturn Trading Limited as described in note (4), 25,564,263 Shares by virtue of his beneficial interest in Capital Base Holdings Limited as described in note (5) and the underlying 618,871,474 Shares from convertible bonds in the Company by virtue of his beneficial interests in Capital Base Holdings Limited as described in note (6).
4. 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.
5. 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.
6. Convertible bonds in the principal amount of HK\$43,384,000 carrying rights to subscribe for Shares at a conversion price of HK\$0.0638 per Share was issued by the Company to Capital Base Holdings Limited on 28 February 2009. On 12 March 2009, Capital Base Holdings Limited transferred convertible bonds with an equivalent amount of HK\$1,950,000 to an independent third party. On 16 March 2009 an equivalent amount of HK\$1,950,000 convertible bonds were converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$39,484,000 were outstanding as at 31 March 2009.
7. Mr. Cheng King Hung is deemed to have interest in 700,000 Shares, of which 200,000 Share are held by him and his wife jointly and 500,000 Shares are held by his wife.

**(b) Long positions in the underlying shares in the Company (Directors' right to acquire shares):**

Directors	Date of grant	No. of shares attached to the option	Exercisable period	Exercise price per share	Approximate percentage of shareholding <i>(Note 1)</i>
Ms. Wong Yuen Yee	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63	0.46%
Mr. Wong Kwok Sing	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63	0.46%
Mr. Wong Yao Wing, Robert	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63	0.46%
Mr. Lam Shiu San	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63	0.46%
Mr. Wong Tak Leung, Charles	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63	0.06%
Mr. Lai Ying Sum	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63	0.06%
Mr. Cheng King Hung	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63	0.06%

*Notes:*

1. As at 31 March 2009, the total number of issued shares of the Company was 1,711,635,678.
2. Each of the above Directors is the personal beneficial owner of the share options granted to him.

Other than as disclosed above, none of the Directors, the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2009.

## SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS WHOSE INTERESTS ARE RECORDED UNDER SECTION 336 OF THE SFO

As at 31 March 2009, the following persons or corporations, in addition to the Directors, stated under the section headed “Directors’ and chief executive’s interests or short position in shares and underlying shares of the Company,” were interested in shares or underlying shares representing 5% or more in the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

### (a) Long positions in shares of the Company:

Name of Shareholder	Capacity	Number of Shares interested	Number of underlying Shares interested	Approximate percentage of shareholding (Note 1)
Multiturn Trading Limited	Corporate (Note 2)	94,362,000	–	5.51%
Capital Base Holdings Limited	Corporate	25,564,263 (Note 3)	618,871,474 (Note 4)	37.65%

#### Notes:

- As at 31 March 2009, the total issued shares of the Company was 1,711,635,678.
- 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.
- 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.
- Convertible bonds in the principal amount of HK\$43,384,000 carrying rights to subscribe for Shares at a conversion price of HK\$0.0638 per Share was issued by the Company to Capital Base Holdings Limited on 28 February 2009. On 12 March 2009, Capital Base Holdings Limited transferred convertible bonds with an equivalent amount of HK\$1,950,000 to an independent third party. On 16 March 2009 an equivalent amount of HK\$1,950,000 convertible bonds were converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$39,484,000 were outstanding as at 31 March 2009.

**(b) Interests in associated corporation of the Group:**

Great China Media Holdings Limited is 26.31% 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.

<b>Name of shareholders</b>	<b>Approximate percentage of shareholding as at 31 March 2009</b>
Ms. Wong Yuen Yee	26.31%
Mr. Wong Kwok Sing	26.31%

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares in the Company as at 31 March 2009.

**COMPETING INTERESTS**

So far as the Directors are aware, 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.

**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.

**PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

**DIRECTORS' SECURITIES TRANSACTIONS**

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

**CONTINGENT LIABILITIES**

The Company and a subsidiary of the Group are defendants in a legal action involving the alleged default payment for one of the 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 31 March 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 complied with the requirements of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 to the GEM Listing Rules:-

- (1) Due to practical reasons, 14 days advance notifications have not been given to all meetings of the board. Reasonable notifications have been given in respect of those meetings of the board where it is not practicable to give 14 days advance notification. The board will use its best endeavours to give 14 days advance notifications of board meeting to the extend practicable. (Code Provisions A.1.1 and 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 nine months ended 31 March 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.

By order of the Board  
**Wong Yuen Yee**  
*Chairman*

Hong Kong, 15 May 2009

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

*Executive Directors:*

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

*Independent Non-Executive Directors:*

Mr. Wong Tak Leung, Charles  
Mr. Lai Ying Sum  
Mr. Cheng King Hung