



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

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

09/10

Third Quarterly Report

* For identification purposes only



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

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

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

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Wong Yuen Yee (*Chairman*)

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

Mr. Wong Kwok Sing
(*resigned on 23 March 2010*)

Mr. Ang Wing Fung
(*appointed on 19 Feb 2010*)

Mr. Lam Shiu San

Ms. Wong On Yee*
(*appointed on 1 April 2010*)

Mr. Chu Woon Yuen*
(*appointed on 3 May 2010*)

Mr. Cheng King Hung*

Mr. Lai Ying Sum*
(*resigned on 1 April 2010*)
Mr. Wong Tak Leung, Charles*
(*resigned on 3 May 2010*)

* *Independent non-executive Directors*

COMPLIANCE OFFICER

Mr. Wong Yao Wing, Robert

AUTHORISED REPRESENTATIVES

Mr. Wong Yao Wing, Robert
Ms. Wong Yuen Yee

COMPANY SECRETARY

Mr. Li Kar Fai, Peter, *CPA*

AUDIT COMMITTEE MEMBERS

Ms. Wong On Yee
(*Chairman of audit committee*)

Mr. Chu Woon Yuen
Mr. Cheng King Hung

AUDITORS

Crowe Horwath (HK) CPA Limited

LEGAL ADVISERS TO THE COMPANY

Troutman Sanders (*as to Hong Kong Laws*)

PRINCIPAL BANKERS

Wing Lung Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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
Shops 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

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

GEM STOCK CODE

8202



HIGHLIGHTS

- Revenue for the nine months ended 31 March 2010 amounted to approximately HK\$7,764,000, representing a decrease of approximately 79.19% as compared to amount reported in the corresponding period in 2009.
- Loss attributable to owners of the Company amounted to approximately HK\$28,276,000 for the nine months ended 31 March 2010.
- Basic loss per share amounted to HK2.00 cents for the nine months ended 31 March 2010.
- The Board did not recommend the payment of a dividend for the nine months ended 31 March 2010.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 March 2010

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 2010, together with comparative figures for the three months and nine months ended 31 March 2009 as follow:

	Notes	Unaudited Three months ended 31 March		Unaudited Nine months ended 31 March	
		2010	2009	2010	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	1,826	1,021	7,764	37,305
Cost of sales		(1,638)	(901)	(6,820)	(32,079)
Gross profit		188	120	944	5,226
Other revenue		74	4,792	13,621	5,151
Marketing and promotion expenses		(1,816)	(765)	(7,559)	(4,293)
Administrative expenses		(12,569)	(18,562)	(36,131)	(44,181)
Finance costs		(1,998)	(435)	(4,691)	(1,572)
Share of profits/(losses) of associates and jointly controlled entities		3,187	(93)	5,505	(93)
Loss on disposal of subsidiary		—	(57,134)	—	(57,134)
Deemed loss on disposal of associates		—	—	(754)	—
(Loss) before tax		(12,934)	(72,077)	(29,065)	(96,896)
Income tax expenses	4	—	(10)	—	(15)
(Loss) for the period		(12,934)	(72,087)	(29,065)	(96,911)
Other comprehensive income/(loss)					
Exchange difference arising on translation of foreign operations		—	—	108	77
Total comprehensive loss for the period		(12,934)	(72,087)	(28,957)	(96,834)
Loss for the period attributable to:					
Owners of the Company		(12,500)	(72,087)	(28,276)	(96,911)
Non-controlling interests		(434)	—	(789)	—
		(12,934)	(72,087)	(29,065)	(96,911)
Total comprehensive (loss) attributable to:					
Owners of the Company		(12,500)	(72,087)	(28,168)	(96,834)
Non-controlling interests		(434)	—	(789)	—
		(12,934)	(72,087)	(28,957)	(96,834)
(Loss) per share					
— Basic	5(a)	(2.11) cents	(4.44) cents	(2.00) cents	(6.70) cents
— Diluted	5(b)	N/A	N/A	N/A	N/A



Notes:

1. Basis of preparation of the accounts

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

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

2. Principal accounting policies

In the current period, the Group has applied the following new and revised standards, amendments or interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 6	Exploration for and evaluation of mineral resources

Exploration and evaluation assets

Exploration and evaluation assets are recognized at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the cost of mining and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognized exploration and evaluation assets are reclassified as either other intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognized, before reclassification.



Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

3. Revenue

Revenue represents:

Intelligent system: design of residential intranet, provision of e-property management software application consulting services and trading of home-automation.

Hotel management: provision of hotel services and other products in Hong Kong and the People's Republic of China (the "PRC").

Gold Mining: sale of dolomite, investment, consultation and mining engineering technical consultation.

	Unaudited	
	Nine months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Intelligent system	7,764	34,463
Hotel management	—	3,524
Gold mining	—	—
	7,764	37,987

4. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2009: Nil).



5. Loss per share

(a) Basic (loss) per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to owners of the Company for the three months and nine months ended 31 March 2010 of approximately HK\$(12,500,000) and HK\$(28,276,000) respectively (2009: HK\$(72,087,000) and HK\$(96,911,000) respectively) and on the weighted average of 592,523,114 and 1,411,979,034 respectively (2009: 1,621,788,920 and 1,447,400,724 respectively) ordinary shares in issue during the period.

(b) Diluted (loss) per share

No diluted loss per share has been presented for the three months and nine months ended 31 March in 2010 and 2009 as the Company's share options are anti-dilutive.

6. Movements of reserves

	Share Capital HK\$'000	Share Premium HK\$'000	Employee Compensation Reserve HK\$'000	Convertible Notes Reserve HK\$'000	Contributed Surplus HK\$'000	Capital Redemption Reserve HK\$'000	Exchange Reserve HK\$'000	Investment Revaluation Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
At 1 July 2008	24,544	342,866	23,220	–	5,625	43	(245)	–	(60,337)	335,721
Loss for the period	–	–	–	–	–	–	–	–	(96,911)	(96,911)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	77	–	–	77
Total comprehensive loss for the period	–	–	–	–	–	–	77	–	(96,911)	(96,834)
Issuance of shares for cash	5,814	49,957	–	–	–	–	–	–	–	55,771
Issuance of shares upon exercise of share options	2,651	14,361	–	–	–	–	–	–	–	17,012
Recognition of equity component of convertible notes	–	–	–	13,128	–	–	–	–	–	13,128
Issuance of shares upon conversion of convertible notes	1,223	2,677	–	(1,180)	–	–	–	–	–	2,720
Share issuance expenses	–	(1,862)	–	–	–	–	–	–	–	(1,862)
At 31 March 2009	34,232	407,999	23,220	11,948	5,625	43	(168)	–	(157,243)	325,656
At 1 July 2009	42,884	441,580	36,398	8,631	5,625	43	(205)	(640)	(451,332)	82,984
Loss for the period	–	–	–	–	–	–	–	–	(28,276)	(28,276)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	108	–	–	108
Total comprehensive loss for the period	–	–	–	–	–	–	108	–	(28,276)	(28,168)
Issuance of shares for cash	21,446	31,225	–	–	–	–	–	–	–	52,671
Issuance of shares upon exercise of share options	3,494	5,778	(1,000)	–	–	–	–	–	–	8,272
Recognition of equity component of convertible notes	–	–	–	15,184	–	–	–	–	–	15,184
Issuance of shares upon conversion of convertible notes	6,309	21,898	–	(6,620)	–	–	–	–	–	21,587
Share issuance expenses	–	(1,025)	–	–	–	–	–	–	–	(1,025)
At 31 March 2010	74,133	499,456	35,398	17,195	5,625	43	(97)	(640)	(479,608)	151,505



DIVIDEND

The Directors did not recommend the payment of a dividend for the nine months ended 31 March 2010 (2009: Nil).

BUSINESS REVIEW

For the nine months ended 31 March 2010, the Group's unaudited consolidated revenue amounted to approximately HK\$7,764,000 (2009: HK\$37,305,000).

The Group recorded a net loss of approximately HK\$(28,276,000) for the nine months ended 31 March 2010 (2009: HK\$(96,911,000)). Basic loss per share for the nine months ended 31 March 2010 was HK(2.00) cents (2009: basic loss per share: HK(6.70) cents).

The domestic sale of i-Panel and Apmus products and the provision of intranet design for residential communities remained the core business of the Group. The market conditions in the property sector in the PRC has proved to be tough. Various government economic measures to slow down this sector had dampened the business growth and accordingly the sales of the i-Panel and Apmus products which are closely related to the property market have encountered fierce competition. It is anticipated that further economic measures to regulate the boom in the property market in the PRC will continue for at least a year.

Investment in Gold Mining Industry

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

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

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



Capital Structure

Reference is made to the announcement of the Company dated 2 October 2009 and the circular of the Company dated 14 October 2009 (“the Circular”). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular. On 12 November 2009, the Company has implemented the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.02 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each. As at 12 November 2009, the total issued shares of the Company is 482,327,135 Consolidated Shares.

During the period from 1 July 2009 to 11 November 2009 (before share consolidation), the Company issued 267,457,866 new ordinary shares of which 2,000,000 shares were from exercise of staff options pursuant to the Post-IPO Share Option Scheme and 265,457,866 shares were from the conversion of convertible notes.

During the period from 12 November 2009 (after share consolidation) to 31 March 2010 the Company issued: (a) 10,000,000 new ordinary shares which were from the conversion of convertible note, (b) 214,465,427 new ordinary shares which were from the placements, and (c) 34,539,620 new shares which were from the exercise of staff options pursuant to the Post-IPO Share Option Scheme.

As at 31 March 2010, the total issued Shares of the Company were 741,332,182 Shares.

Foreign currency risk

During the nine months ended 31 March 2010, the majority of the Group's income and expenses was denominated in Hong Kong dollar while an insignificant portion of expenses was denominated in Renminbi. As at 31 March 2010, there were no bank borrowings which were denominated in Renminbi (2009: Nil). The management of the Company is of the opinion that the Group has insignificant exposure to interest rate risk and foreign exchange risk. As a result, the Group had not used any financial instruments for hedging against fluctuation in interest rate nor foreign currencies for the nine months ended 31 March 2010.

OUTLOOK

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

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



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

Save as the Acquisition mentioned in section "BUSINESS REVIEW" of 47.2% of the issued share capital of HK Gaofeng was completed on 27 October 2009, there were no material acquisitions and disposals of investments by the Group during the nine months ended 31 March 2010.

CONVERTIBLE NOTES

On 28 February 2009, the Company issued convertible notes with the principal amount of HK\$43,384,000 as consideration for acquisition of assets. The convertible notes, with maturity date of 28 February 2011, are convertible into Shares at an initial conversion price of HK\$0.319 per Share during the conversion period. As at 31 March 2010, an equivalent of HK\$27,506,000 convertible bonds has been converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$15,878,000 were outstanding as at 31 March 2010.

On 15 May 2009, the Company issued convertible notes with the total principal amount of HK\$16,680,000 for the acquisition of approximately 15.4% interest in HK Gaofeng. The convertible notes, with maturity date of 15 May 2010, are convertible into Shares at an initial conversion price of HK\$0.30 per Share during the conversion period. As at 31 March 2010, an equivalent of HK\$16,680,000 convertible bonds has been converted into Ordinary Shares of the Company and there was no outstanding as at 31 March 2010.

On 27 October 2009, the Company issued convertible notes with the principal amount of HK\$75,000,000 as consideration for acquisition of assets. The convertible notes, with maturity date of 27 October 2011, are convertible into Shares at an initial conversion price of HK\$0.69 per Share during the conversion period. As at 31 March 2010, an equivalent of HK\$13,800,000 convertible bonds has been converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$61,200,000 were outstanding as at 31 March 2010.

EMPLOYEES

The number of employees (including Directors) was 46 as at 31 March 2010 (2009: 120), and the total staff costs (including Directors' remuneration) for the nine months ended 31 March 2010 was approximately HK\$7,280,000 (2009: HK\$14,118,000). Other benefits provided by the Group to the employees include MPF, medical coverage and share-based payments.



SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was adopted on 5 July 2002 and the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 (the "Prospectus"). There were 4,800,000 share options granted to the grantees. Up to 31 March 2010, there were 3,504,000 options under the Pre-IPO Share Option Scheme have been exercised and 336,000 share options have been lapsed. The remaining 960,000 share options under the Pre-IPO Share option Scheme will lapse on 4 July 2012. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 31 March 2010	Option period	Exercise price per share
		Outstanding as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	5 July 2002	—	—	—	—	—	5 July 2002 to 4 July 2012	HK\$1.40
Employees	5 July 2002	960,000	—	—	—	960,000	5 July 2002 to 4 July 2012	HK\$1.40
Total		<u>960,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>960,000</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 head “Share Option Schemes” in Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 31 March 2010, there were 129,346,100 share options granted to the grantees and there were 82,849,232 shares options under the Post-IPO Share Option Scheme exercised and no options has been cancelled. The remaining 46,496,868 share options under the Post-IPO Share Option Scheme will lapse from 6 January 2014 to 14 January 2020. Details of which were as follows:

	Date of grant	Outstanding as at 1 July 2009	Number of share options			Outstanding as at 31 March 2010	Option period	Exercise price per share
			Granted during the period	Exercised during the period	Lapsed during the period			
Directors	23 Aug 07	6,944,000	—	—	—	6,944,000	23 Aug 07 to 22 Aug 17	HK\$3.15
	31 Dec 09	—	300,000	100,000	—	200,000	31 Dec 09 to 30 Dec 19	HK\$0.225
Employees	6 Jan 04	2,100	—	—	—	2,100	6 Jan 04 to 5 Jan 14	HK\$1.10
	20 Sep 05	200,000	—	—	—	200,000	20 Sep 05 to 19 Sep 15	HK\$0.57
	23 Aug 07	7,012,000	—	—	—	7,012,000	23 Aug 07 to 22 Aug 17	HK\$3.15
	9 Sep 08	6,169,873	—	—	—	6,169,873	9 Sep 08 to 8 Sep 18	HK\$0.87
	11 Sep 08	4,400,000	—	—	—	4,400,000	11 Sep 08 to 10 Sep 18	HK\$0.975
	24 Nov 08	2,780,000	—	2,780,000	—	0	24 Nov 08 to 23 Nov 18	HK\$0.35
	16 Dec 08	4,800,000	—	1,200,000	—	3,600,000	16 Dec 08 to 15 Dec 18	HK\$0.381
	17 Feb 09	2,400,000	0	—	—	2,400,000	17 Feb 09 to 16 Feb 19	HK\$0.495
	29 May 09	2,400,000	0	—	—	2,400,000	29 May 09 to 28 May 19	HK\$0.44
	31 Dec 09	—	33,128,515	31,959,620	—	1,168,895	31 Dec 09 to 30 Dec 19	HK\$0.225
	15 Jan 10	—	12,000,000	—	—	12,000,000	15 Jan 10 to 14 Jan 20	HK\$0.365
Total		<u>37,107,973</u>	<u>45,428,515</u>	<u>36,039,620</u>	<u>—</u>	<u>46,496,868</u>		

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

As at 31 March 2010, the interests or short position of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and Section 347 of the SFO (including interests or short positions which is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange are as follows:

(i) Beneficial interest and short position in Shares as at 31 March 2010

Name of Directors	Personal Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Ms. Wong Yuen Yee <i>(Notes 1 & 2)</i>	31,006,119	23,985,252	54,991,371	7.40%
Mr. Wong Yao Wing, Robert <i>(Note 1)</i>	29,014,119	18,872,400	47,886,519	6.46%
Mr. Lam Shiu San <i>(Note 1)</i>	1,203,700	18,872,400	20,076,100	2.71%
Mr. Cheng King Hung <i>(Note 3)</i>	140,000	100,000	240,000	0.03%

Notes:

- The 18,872,400 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 18,872,400 Shares held by Multiturn Trading Limited under the SFO.
- The 5,112,852 Shares are held by Capital Base Holdings Limited, which is beneficially owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing. Accordingly each of Ms. Wong Yuen Yee and Mr. Wong Kwok Sing is deemed to be interested in the 5,112,852 Shares held by Capital Base Holdings Limited under the SFO.
- Mr. Cheng King Hung is deemed to have an interest in 240,000 Shares, of which 40,000 Shares are held by him and his wife jointly, 100,000 shares are held by him, and 100,000 Shares are held by his wife.



(ii) *Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at 31 March 2010*

Name of Directors	Date of grant	No. of shares attached to the option	Exercisable period	Exercise price per share
Ms. Wong Yue Yee	23 Aug 07	1,586,000	23 Aug 07 to 22 Aug 17	HK\$3.15
Mr. Wong Yao Wing, Robert	23 Aug 07	1,586,000	23 Aug 07 to 22 Aug 17	HK\$3.15
Mr. Lam Shiu San	23 Aug 07	1,586,000	23 Aug 07 to 22 Aug 17	HK\$3.15
Mr. Wong Tak Leung	23 Aug 07	200,000	23 Aug 07 to 22 Aug 17	HK\$3.15
	31 Dec 09	100,000	31 Dec 09 to 30 Dec 19	HK\$0.225
Mr. Lai Ying Sum	23 Aug 07	200,000	23 Aug 07 to 22 Aug 17	HK\$3.15
	31 Dec 09	100,000	31 Dec 09 to 30 Dec 19	HK\$0.225
Mr. Cheng King Hung	23 Aug 07	200,000	23 Aug 07 to 22 Aug 17	HK\$3.15

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

Name of Directors	Name of associated corporation	Approximately percentage of shareholding as at 31 March 2010
Ms. Wong Yuen Yee (Note 1)	Great China Media Holdings Limited	19.19%

Note 1: Great China Media Holdings Limited is 19.19% owned by Capital Base Holdings Limited, which is beneficially owned as to 50% by Ms. Wong Yuen Yee and 50% by Mr. Wong Kwok Sing.

Save as disclosed above, as at 31 March 2010, none of the Directors or their associates as well as the chief executives of the Group had any interests or short positions in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.



Save as disclosed above, as at 31 March 2010, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other corporation, and neither the Directors and chief executives of the Company, nor any of their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Capacity	Number of Shares interested	Number of underlying Shares interested	Approximately percentage of shareholding
Multiturn Trading Limited	Beneficial Owner (Note 1)	18,872,400	—	2.55%
Capital Base Holdings Limited	Beneficial Owner (Note 2)	5,112,852	49,774,294 (Note 3)	7.40%
Wong Chung Pong	Beneficial Owner	3,357,866	38,840,579 (Note 4)	5.69%
Galaxy Capital Limited	Beneficial Owner (Note 7)	70,000,000	5,000,000 (Note 5)	10.12%
Galaxy Asset Management (H.K.) Limited	Beneficial Owner (Note 6)	51,200,000	—	6.91%

Notes:

- Multiturn Trading Limited is owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San, respectively, exclude Mr. Wong Kwok Sing all of whom are executive Directors. Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San are also directors of Multiturn Trading Limited.



2. Capital Base Holdings Limited is beneficially owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing. Ms. Wong Yuen Yee and Mr. Wong Kwok Sing are also directors of Capital Base Holdings Limited.
3. On 28 February 2009, the Company issued convertible notes with the principal amount of HK\$43,384,000 as consideration for acquisition of assets. The convertible notes, with maturity date of 28 February 2011, are convertible into Shares at an initial conversion price of HK\$0.319 per Share during the conversion period. As at 31 March 2010, an equivalent of HK\$27,506,000 convertible bonds has been converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$15,878,000 were outstanding as at 31 March 2010.
4. On 27 October 2009, the Company issued convertible notes with the principal amount of HK\$75,000,000 as consideration for acquisition of assets. The convertible notes, with maturity date of 27 October 2011, are convertible into Shares at an initial conversion price of HK\$0.69 per Share during the conversion period. As at 31 March 2010, an equivalent of HK\$13,800,000 convertible bonds has been converted into Ordinary Shares of the Company. The remaining balance of convertible bonds with an equivalent amount of HK\$61,200,000 were outstanding as at 31 March 2010.
5. On 13 January 2010, Galaxy Capital Limited (the "Consultant") was engaged as a business consultant of the Company for a term of one year commencing from the date of the Consultancy Engagement Letter. The scope of services to be provided by the Consultant includes, on an exclusive basis, assisting the Company in identifying and assessing any suitable acquisition target(s) which maybe a major transaction or very substantial acquisition (the "Transaction") for the Company. Pursuant to the Consultancy Engagement Letter, in consideration of the provision of consultancy services by the Consultant, the Consultant shall be entitled to share options to subscribe for a total of 5,000,000 new Shares to be granted by the Company pursuant to its Post-IPO share option scheme adopted on 5 July 2002.
6. Galaxy Asset Management (H.K.) Limited owned 100% of Galaxy China Deep Value Fund and Galaxy China Special Situations Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Special Situations Segregated Portfolio 1. which held 16,700,000 shares and 34,500,000 shares of the Company respectively.
7. Galaxy Capital Limited is owned as 100% by Mr. Chan Man Fai Joe.



Save as disclosed above, as at 31 March 2010, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

None of the directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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 2010 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, there were 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 to take to review the internal control systems of the Group. The Board intent to engage an external auditor to undertake the review before the end of the current financial year and to take appropriate course of action for any recommendations made in this regard (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 Ms. Wong On Yee, Mr. Chu Woon Yuen 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 2010 have been reviewed by the audit committee, which is of the opinion that the unaudited 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, 14 May 2010

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. Ang Wing Fung

Mr. Lam Shiu San

Independent Non-Executive Directors:

Ms. Wong On Yee

Mr. Chu Woon Yuen

Mr. Cheng King Hung