



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

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

**2010 / 2011**

First Quarterly Report

\* For identification purposes only

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

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

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

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*This report, for which the directors of Inno-Tech Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 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. Ang Wing Fung

Ms. Wong On Yee\*

Mr. Chu Woon Yuen\*

Ms. Au Yuk Kit\*

\* *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

Ms. Au Yuk Kit

### Auditors

Crowe Horwath (HK) CPA Limited

### Legal Advisers to the Company

Troutman Sanders

(*as to Hong Kong Laws*)

Tang, Tso & Lau Solicitors

(*as to Hong Kong Laws*)

### Principal Bankers

Wing Lung Bank Limited

Shanghai Commercial Bank Limited

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Head Office and Principal Place of Business

Room 903

Tung Wai Commercial Building

109-111 Gloucester Road

Wanchai

Hong Kong

### Principal Share Registrars and Transfer Office

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

### Hong Kong Branch Share Registrars and Transfer Office

Computershare Hong Kong

Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

### Company Website

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

### Gem Stock Code

8202

## HIGHLIGHTS

- Turnover for the three months ended 30 September 2010 amounted to approximately HK\$143,000, representing a decrease of approximately 85.69% as compared to amount reported in the corresponding period in 2009.
- Loss from ordinary activities attributable to owners of the Company amounted to approximately HK\$13,970,000 for the three months ended 30 September 2010.
- Basis loss per share amounted to HK 1.59 cents for the three months ended 30 September 2010.
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2010.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 September 2010

The board of directors (the "Board") of Inno-Tech Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2010 as follow:-

		<b>Unaudited three months ended 30 September</b>	
	Notes	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	3	<b>143</b>	999
Cost of sales		<b>(2,825)</b>	(661)
Gross (loss)/profit		<b>(2,682)</b>	338
Other revenue		–	7,457
Marketing and promotion expenses		<b>(873)</b>	(699)
Administrative expenses		<b>(8,122)</b>	(9,466)
Finance costs		<b>(2,178)</b>	(1,014)
Loss on disposal of trading securities		<b>(862)</b>	–
Gain on fair value change in trading securities		<b>343</b>	–
Share of profit of associates		–	731
<b>Loss before tax</b>		<b>(14,374)</b>	(2,653)
Income tax expenses	4	–	–
<b>Loss for the period</b>		<b>(14,374)</b>	(2,653)
Other comprehensive (loss)/income			
Exchange difference acting on translation of foreign operations		<b>(34)</b>	108
Total comprehensive loss for the period		<b>(14,408)</b>	(2,545)
Loss for the period attributable to:			
Owners of the Company		<b>(13,970)</b>	(2,653)
Non-controlling interests		<b>(404)</b>	–
		<b>(14,374)</b>	(2,653)
Total comprehensive loss attributable to:			
Owners of the Company		<b>(14,004)</b>	(2,545)
Non-controlling interests		<b>(404)</b>	–
		<b>(14,408)</b>	(2,545)
Loss per share			(Restated)
– Basic and diluted (cents)	5	<b>(1.59)</b>	(0.59)

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 (the “HKFRSs”), which includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “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 (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “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 2010. The principal accounting policies adopted are disclosed in the Group’s 09/10 Annual Report dated 29 September 2010.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 09/10 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 (the “HKICPA”), which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The amendment to HKAS 17 made under “Improvements to HKFRSs 2009”, mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

### 3. REVENUE

Turnover represents design of residential intranet, provision of e-property management software application consulting services and trading of home-automation in Hong Kong and the Peoples' Republic of China (the "PRC").

	<b>Unaudited three months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Income from design of residential intranet, provision of home automation services and trading of related products	<b>143</b>	999

### 4. INCOME TAX EXPENSES

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

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to owners of the Company for the three months ended 30 September 2010 of approximately HK\$13,970,000 (2009: HK\$2,653,000) and on the weighted average of 880,380,008 (2009: 449,683,388(restated)) ordinary shares in issue during the period.

The calculation of diluted loss per share for the period is based on the loss for the period attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Basic and diluted loss per share amounts for the three months ended 30 September 2009 are restated to take into effect the shares consolidation completed in the prior financial year. Reference is made to the Group's audited financial statement for the year ended 30 June 2010 in respect of the details of the share consolidation completed in the prior financial year.

As the Company's outstanding convertible bonds and share options, where applicable, had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods ended, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted losses per share calculations for the respective periods ended are equal.

## 6. MOVEMENTS OF RESERVES

	Attributable to owners of the Company										Non-controlling interest	Total
	Share capital	Share premium	Share options reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Investment revaluation reserve	Accumulated losses	Attributable to owners of the Company		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2009	42,884	441,580	36,398	8,631	5,625	43	(205)	(640)	(451,332)	82,984	-	82,984
Loss for the period	-	-	-	-	-	-	-	-	(2,653)	(2,653)	-	(2,653)
Exchange difference on consolidation	-	-	-	-	-	-	108	-	-	108	-	108
Total comprehensive loss for the period	-	-	-	-	-	-	108	-	(2,653)	(2,545)	-	(2,545)
Issuance of shares	3,349	7,830	(134)	(2,861)	-	-	-	-	-	8,184	-	8,184
Share issuance cost	-	(4)	-	-	-	-	-	-	-	(4)	-	(4)
At 30 September 2009	46,233	449,406	36,264	5,770	5,625	43	(97)	(640)	(453,985)	88,619	-	88,619
At 1 July 2010	74,203	504,779	38,714	14,690	5,625	43	(221)	-	(592,038)	45,795	9,449	55,244
Loss for the period	-	-	-	-	-	-	-	-	(13,970)	(13,970)	(404)	(14,374)
Exchange difference on consolidation	-	-	-	-	-	-	(34)	-	-	(34)	-	(34)
Total comprehensive loss for the period	-	-	-	-	-	-	(34)	-	(13,970)	(14,004)	(404)	(14,408)
Issuance of shares	14,800	12,728	-	-	-	-	-	-	-	27,528	-	27,528
Share issuance cost	-	(826)	-	-	-	-	-	-	-	(826)	-	(826)
At 30 September 2010	89,003	516,681	38,714	14,690	5,625	43	(255)	-	(606,008)	58,493	9,045	67,538



## 7. SIGNIFICANT SUBSEQUENT EVENTS

- (a) On 19 July 2010, the Company entered into a sales and purchases agreement (the "Acquisition") to acquire 100% equity interest in Active Link Investments Limited (the "Active Link") and its subsidiary (collectively refer as the "Active Link Group") for a consideration of HK\$105,600,000 as set out in the Company's announcement dated 21 July 2010 and circular dated 24 August 2010. The Company had paid a refundable deposit of HK\$30,000,000 during the period.

The completion of the Acquisition (the "Completion") was completed on 5 October 2010, and the consideration share and convertible notes in the principal amount of HK\$22,440,000 and HK\$25,560,000 respectively have been issued by the Company on the same date simultaneously.

- (b) On 4 October 2010, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has agreed to place, on a best effort basis, to not less than six independent places for up to 170,000,000 new shares at a price of HK\$0.10 per placing share, for and on behalf of the Company. The placing was completed on 12 October 2010.
- (c) On 7 October 2010, the Company entered into a conditional disposal agreement (the "Proposed Disposal") with the purchaser for the disposal of the sale shares and the sale loan, representing 100% equity interests in Inno Gold Mining Limited (the "Inno Gold Mine"), an wholly-owned subsidiary of the Company (immediately before the completion of the Proposed Disposal), held by the Company for a total cash consideration of HK\$15 million less the face value of the sale loan as at completion date. For further details referring to Proposed Disposal, reference is made to the announcement dated on 7 October 2010.

## 8. COMPARATIVE FIGURES

As detailed in Note 5, the Company's basic and diluted losses per share figures for the prior period ended have been restated to conform with the current period's presentation.

## DIVIDEND

The Directors did not recommend the payment of a dividend for the three months ended 30 September 2010 (2009: Nil).

## BUSINESS REVIEW

For the three months ended 30 September 2010, the Group's unaudited consolidated turnover amounted to approximately HK\$143,000 (2009: HK\$999,000).

The Group recorded a net loss of approximately HK\$13,970,000 for the three months ended 30 September 2010 (2009: net loss HK\$2,653,000). Basic loss per share for the three months ended 30 September 2010 was HK1.59 cents (2009: basic loss per share: HK0.59 cents(restated)).

### Intelligent system business

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

In order to broaden the source of income and expand the business operations of the Group, the Directors believe that it is beneficial for the Group to diversity its business into the advertising and display industry in the PRC.

The Acquisition of 100% of the equity interest in Active Link Group was completed on 5 October 2010. Active Link is principally engaged in investment holding which effectively hold 80% equity interest of Shijiazhuang Municipal Xun Hua De Gao Bus Advertising Company Limited (the "Shijiazhuang Xunhua"). Accordingly, Shijiazhuang Xunhua became an indirect subsidiary of the Company. Shijiazhuang Xunhua is principally engaged in design, production and publication of outdoor advertisements in PRC.

## Capital Structure

On 26 June 2010, the Company entered into the conditional placing agreement with the placing agent on a best endeavour basis for the placing of 148,000,000 new ordinary shares (the "Placement") and 148,000,000 new ordinary shares were issued and allotted on 7 July 2010.

As at 30 September 2010, the total issued share capital is 890,032,182 Shares.

## OUTLOOK

According to the statistics available at the official website of the National Bureau of Statistics of China (<http://www.stats.gov.cn>), (i) the gross domestic product of the PRC, increased from approximately RMB25,731 billion in year 2007 to approximately RMB33,535 billion in year 2009, representing a compound annual growth rate of approximately 14.16%; and (ii) the per capita annual disposable income in the urban cities in the PRC increased from approximately RMB13,786 in year 2007 to approximately RMB17,175 in year 2009, representing a compound annual growth rate of approximately 11.62%.

Looking to the coming year and further beyond, we are confident that China's outdoor media market will continue to enjoy healthy growth on the back of the sound economic development of the country. In view of this, the Company will further enhance its district sales centres in the Shijiazhuang and continues to capture the opportunities in other cities throughout the country. We are committed to developing new customers and expanding our clientele, with the aim of increasing the occupancy rate of our bus bodies and bus stops.

Based on the aforesaid, Directors believe the investment in advertising and display industry is in the interests of the Company and the Shareholders as a whole.

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

Save as the Acquisition of 100% equity interest in Active Link Group and Disposal of 100% equity interest in Inno Gold Mining Group mentioned in “Business Review” and “Significant subsequent events”, there were no material acquisitions and disposals of investments by the Group during the three months ended 30 September 2010.

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.

## **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 30 September 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 30 September 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 30 September 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 30 September 2010.

## **FOREIGN CURRENCY RISK**

During the three months ended 30 September 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 30 September 2010, there were no bank borrowings which were denominated in Renminbi (2009: HK\$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 three months ended 30 September 2010.

## EMPLOYEES

The number of employees (including Directors) was 30 as at 30 September 2010 (2009: 46), and the total staff costs (including Directors' remuneration) for the three months ended 30 September 2010 was approximately HK\$2,212,000 (2009: HK\$2,308,000). 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 30 September 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 30 September 2010	Option period	Exercise price per share
		Outstanding as at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period			
		Employees	5 July 2002	960,000	-			
Total		960,000	-	-	-	960,000		

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section head "Share Option Schemes" in Appendix IV of the Prospectus ("Post-IPO Share Option Scheme").

Up to 30 September 2010, there were 129,346,100 share options granted to the grantees and there were 82,049,232 shares options under the Post-IPO Share Option Scheme exercised and no options has been cancelled. The remaining 47,296,868 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	Number of share options				Outstanding as at 30 September 2010	Option period	Exercise price per share
		Outstanding as at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	23 August 2007	6,944,000	-	-	-	6,944,000	23 Aug 07 to 22 Aug 2017	HK\$3.15
	31 December 2009	100,000	-	-	-	100,000	31 Dec 09 to 30 Dec 19	HK\$0.225
Other employees and consultants	6 January 2004	2,100	-	-	-	2,100	6 Jan 04 to 5 Jan 14	HK\$1.10
	20 September 2005	200,000	-	-	-	200,000	20 Sep 05 to 19 Sep 15	HK\$0.57
	23 August 2007	7,012,000	-	-	-	7,012,000	23 Aug 07 to 22 Aug 17	HK\$3.15
	9 September 2008	6,169,873	-	-	-	6,169,873	9 Sep 08 to 8 Sep 18	HK\$0.87
	11 September 2008	4,400,000	-	-	-	4,400,000	11 Sep 08 to 10 Sep 18	HK\$0.975
	16 December 2008	4,400,000	-	-	-	4,400,000	16 Dec 08 to 15 Dec 18	HK\$0.381
	17 February 2009	2,400,000	-	-	-	2,400,000	17 Feb 09 to 16 Feb 19	HK\$0.495
	29 May 2009	2,400,000	-	-	-	2,400,000	29 May 09 to 28 May 19	HK\$0.44
	31 December 2009	1,268,895	-	-	-	1,268,895	31 Dec 09 to 30 Dec 19	HK\$0.225
	15 January 2010	12,000,000	-	-	-	12,000,000	15 Jan 10 to 14 Jan 20	HK\$0.365
Total		47,296,868	-	-	-	47,296,868		

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

As at 30 September 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 30 September 2010**

Name of Directors	Personal Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Ms. Wong Yuen Yee (Notes 1)	31,006,119	18,872,400	49,878,519	5.60%
Mr. Wong Yao Wing, Robert (Note 1)	29,014,119	18,872,400	47,886,519	5.38%

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.

(ii) **Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at 30 September 2010**

Name of Directors	Date of grant	No. of shares attached to the option	Exercisable period	Exercise price per share
Ms. Wong Yuen Yee	23 August 2007	1,586,000	23 Aug 2007 to 22 Aug 2017	HK\$3.15
Mr. Wong Yao Wing, Robert	23 August 2007	1,586,000	23 Aug 2007 to 22 Aug 2017	HK\$3.15

Save as disclosed above, as at 30 September 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 30 September 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 30 September 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	–	2.12%
Galaxy Capital Limited	Beneficial Owner (Note 4)	70,000,000	5,000,000 (Note 2)	8.43%
Galaxy Asset Management (H.K.) Limited	Beneficial Owner (Note 3)	51,200,000	–	5.75%

## Notes:

1. 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, Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert are executive directors of the Company and Multiturn Trading Limited.
2. 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.
3. 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.
4. Galaxy Capital Limited is owned as 100% by Mr. Chan Man Fai Joe.

Save as disclosed above, as at 30 September 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

As at 30 September 2010, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, 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**

On 31 August 2010, a Writ of Summons was issued by Mr. Lim Yi Shenn as the plaintiff (the "Plaintiff") against Ms. Wong Yuen Yee, an executive director and the Chairman of the Company, Mr. Wong Yao Wing, Robert, an executive director and the Deputy Chairman of the Company and the Company (collectively, the "Defendants"). The Plaintiff claimed against each of the Defendants for damages for various misrepresentations made 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 in the amount of approximately HK\$15 million. The Defendants denied the claims of the Plaintiff and have sought legal advice in this regard. The Defendants will rigorously defend the case and will take appropriate legal action.

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 extent practicable. (Code Provisions A.1.1 and 1.1.3);
- 2) As at the date of this report, we have no formal guidelines for employees dealings in securities (Code Provision A.5.4) although a formal guideline has been adopted for directors. Actions will be taken by the board to formalize the circumstances under which employees can deal in the shares of the Company before end of the current financial year;
- 3) Actions have yet taken to review the internal control systems of the Group. The Board plans to engage an external auditor to undertake the review before the end of the current financial year and to take appropriate course of action in this regard based on the recommendation of the external auditor (Code Provision C.2.1); and
- 4) No formal schedule of matters reserved to the Board and those delegated to the management has been adopted by the Group although there are guidelines for the responsibilities and duties to members of the board and members of the managements taking up different position. The Board has delegated its Human Resources Department to prepare the formal schedule for the approval of the board before the end of the current financial year (Code Provision D.1.2).

## AUDIT COMMITTEE

The Company established an audit committee on 5 July 2002 with terms of reference in compliance with Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises Ms. Wong On Yee, Mr. Chu Woon Yuen and Ms. Au Yuk Kit who are the independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's unaudited results for the three months ended 30 September 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, 12 November 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

*Independent Non-Executive Directors:*

Ms. Wong On Yee

Mr. Chu Woon Yuen

Ms. Au Yuk Kit