



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

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

First Quarterly Report **2011/2012**



# 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

Mr. Chen Chuan (*Chairman*)  
Mr. Ang Wing Fung  
Ms. Wong On Yee\*  
Ms. Au Yuk Kit\*  
Ms. Lu Di\*

\* *Independent non-executive Directors*

### COMPLIANCE OFFICER

Mr. Chen Chuan

### AUTHORISED REPRESENTATIVES

Mr. Chen Chuan  
Mr. Ang Wing Fung

### COMPANY SECRETARY

Mr. Tse Wing York, *CPA*  
(*appointed on 3 October 2011*)  
Mr. Li Kar Fai, Peter, *CPA*  
(*resigned on 3 October 2011*)

### AUDIT COMMITTEE MEMBERS

Ms. Wong On Yee  
(*Chairman of audit committee*)  
Ms. Au Yuk Kit  
Ms. Lu Di

### 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

Shanghai Commercial Bank Limited

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 606, 6th Floor  
MassMutual Tower  
38 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.hk>

### GEM STOCK CODE

8202

## HIGHLIGHTS

- Turnover for the three months ended 30 September 2011 amounted to approximately HK\$12,869,000, representing an increase of approximately 8,899% as compared to amount reported in the corresponding period in 2010.
- Loss before income tax amounted to approximately HK\$18,483,000 for the three months ended 30 September 2011.
- Basic loss per share from continuing operations amounted to HK\$0.18 for the three months ended 30 September 2011.
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2011.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 September 2011

The board of directors (the “**Board**”) of Inno-Tech Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 30 September 2011 as follow:–

		<b>Unaudited three months ended 30 September</b>	
	<i>Notes</i>	<b>2011 HK\$'000</b>	2010 HK\$'000 (restated)
<b>Continuing operations</b>			
<b>Turnover</b>	3	<b>12,869</b>	143
Cost of sales		<b>(14,870)</b>	(2,670)
Gross loss		<b>(2,001)</b>	(2,527)
Other revenue		<b>6</b>	–
Marketing and promotion expenses		<b>(470)</b>	(668)
Administrative expenses		<b>(6,159)</b>	(7,638)
Finance costs		<b>(999)</b>	(2,178)
Loss on disposal of trading securities		<b>(7,131)</b>	(862)
(Loss)/gain on fair value change in trading securities		<b>(1,729)</b>	343
<b>Loss before income tax</b>		<b>(18,483)</b>	(13,530)
Income tax	4	<b>672</b>	–
<b>Loss for the period from continuing operations</b>		<b>(17,811)</b>	(13,530)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	(844)
<b>Loss for the period</b>		<b>(17,811)</b>	(14,374)
<b>Other comprehensive (loss)/income for the period</b>			
Exchange difference acting on translation of foreign operations		<b>(48)</b>	(34)
<b>Total comprehensive loss for the period</b>		<b>(17,859)</b>	(14,408)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(17,502)</b>	(13,970)
Non-controlling interests		<b>(309)</b>	(404)
		<b>(17,811)</b>	(14,374)

		<b>Unaudited three months ended 30 September</b>	
		<b>2011</b>	2010
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000 (restated)
<b>Total comprehensive loss attributable to:</b>			
	Owners of the Company	<b>(17,550)</b>	(14,004)
	Non-controlling interests	<b>(309)</b>	(404)
		<b>(17,859)</b>	(14,408)
<b>Loss per share attributable to owners of the Company</b>			
<b>From continuing and discounted operations</b>			
	– Basic and diluted (HK\$ per share)	<i>5</i> <b>0.18</b>	0.59
<b>From continuing operations</b>			
	– Basic and diluted (HK\$ per share)	<i>5</i> <b>0.18</b>	0.57



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 (the “**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 Listing Rules**”) 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 2011. The principal accounting policies adopted are disclosed in the Group’s 2010/2011 Annual Report dated 30 September 2011.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group’s 2010/2011 Annual Report.

## 2. ADOPTION OF HKFRSs

### (a) *Adoption of new/revised HKFRSs – effective 1 July 2011*

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) – Interpretation 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Except as explained above, the adoption of these new/revised standards and interpretations has no significant impact on the Quarterly Results of the Group.

**(b) New/revised HKFRSs that have been issued but not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 12 HKFRS 9	Deferred Tax – Recovery of Underlying Assets <sup>1</sup> Financial Instruments <sup>2</sup>
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<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2012*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2013*

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Quarterly Results of the Group.



### 3. TURNOVER

Turnover represents revenue from the design of residential intranet, provision of home-automation services and trading of related home-automation products and revenue from the outdoor advertising operations in the People's Republic of China (the "PRC"). The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Unaudited three months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Income from outdoor advertising operations	11,201	–
Income from design of residential intranet, provision of home automation services and trading of related home-automation products	1,668	143
	<b>12,869</b>	<b>143</b>

### 4. INCOME TAX EXPENSES

Income tax in the consolidated income statement represents:

	Unaudited three months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
<b>Current tax</b>		
PRC Enterprise Income Tax	326	–
<b>Deferred tax</b>		
Current period	(998)	–
	<b>(672)</b>	<b>–</b>

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 (three months ended 30 September 2010: HK\$Nil).

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25% on its assessable profits. No provision for PRC enterprise income tax ("EIT") has been made in the year 2010 as the Group's PRC subsidiaries did not generate any assessable profits during that year, or had tax losses brought forward to offset that year's assessable profits.

Pursuant to Guo Fa [2007] No. 39 issued by the State Council, one of the subsidiaries of the Company, 匯創智能系統(深圳)有限公司 was granted tax concessions at a preferential tax rate of 20% for the year ended 30 June 2010, 22% for 2011, 24% for 2012 and 25% for 2013.

## 5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company, and the weighted average number of 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 2010 is restated to take into effect the Company's capital reorganization completed on 9 December 2010 and 28 June 2011 and rights issue completed on 12 January 2011.

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

***From continuing and discontinued operations:***

The calculation of basic and diluted loss per share are based on:

	<b>Unaudited three months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to:		
Owners of the Company	<b>(17,502)</b>	(13,970)

  

	<b>Number of shares three months ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited – restated)</b>
	<b>'000</b>	<b>'000</b>
Weight average number of ordinary shares for basic and diluted loss per share calculation	<b>95,062</b>	23,666

***From continuing operations:***

The calculation of basic and diluted loss per share are based on:

	<b>Unaudited three months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to:		
Owners of the Company	<b>(17,502)</b>	(13,530)

  

	<b>Number of shares three months ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited – restated)</b>
	<b>'000</b>	<b>'000</b>
Weight average number of ordinary shares for basic and diluted loss per share calculation	<b>95,062</b>	23,666

## 6. Movements of reserves

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	Convertible notes reserve	Capital			(Accumulated losses)	Attributable to owners of the Company	Non-controlling interests	Total
					Contributed surplus	redemption reserve	Exchange reserve				
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 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)	58,433	9,045	67,538
At 1 July 2011	95	225,775	38,714	742	52,959	43	(419)	(70,460)	247,449	9,663	257,112
Loss for the period	-	-	-	-	-	-	-	(17,502)	(17,502)	(308)	(17,811)
Exchange difference on consolidation	-	-	-	-	-	-	(48)	-	(48)	-	(48)
Total comprehensive loss for the period	-	-	-	-	-	-	(48)	(17,502)	(17,550)	(308)	(17,859)
Issue of convertible note	-	-	-	6,146	-	-	-	-	6,146	-	6,146
At 30 September 2011	95	225,775	38,714	6,888	52,959	43	(467)	(87,962)	226,045	9,354	245,399

## 7. Significant subsequent events

- (a) On 27 October 2009, the Company issued convertible notes with the principal amount of HK\$75,000,000 as consideration for acquisition of assets with maturity date is 27 October 2011. The Company has redeemed the remaining balance of convertible notes in the principal amount of HK\$4,400,000 on maturity date.
- (b) On 13 July 2011, the Company issued convertible notes with the principal amount of HK\$39,000,000 as consideration for acquisition of assets (maturity date is 12 January 2013). The Company has early redeemed the convertible notes in the principal amount of HK\$20,000,000 and HK\$19,000,000 on 6 October 2011 and 13 October 2011 respectively.

## 8. Comparative figures

Certain comparative amounts have been restated in compliance with HKFRS 5 “Non-Current Assets Held for Sale and Discounted Operations” from the discounted operations of the Group’s business during the period.

## DIVIDEND

The Directors did not recommend the payment of a dividend for the three months ended 30 September 2011 (three months ended 30 September 2010: Nil).

## BUSINESS REVIEW

For the three months ended 30 September 2011, the Group's unaudited consolidated turnover amounted to approximately HK\$12,869,000 (three months ended 30 September 2010: HK\$143,000).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$17,502,000 for the three months ended 30 September 2011 (2010: HK\$13,970,000). Basic loss per share from continuing operations for the three months ended 30 September 2011 was HK\$0.18 (three months ended 30 September 2010: basic loss per share: HK\$0.57 (restated)).

### Outdoor advertising business in PRC

In order to broaden the source of income and expand the business operations, the Group diversified its business into the advertising and display industry in the PRC in October 2010. Outdoor advertising business includes the design, production and publication of outdoor advertisements in PRC.

The Shijiazhuang City General Public Transportation Company Limited (the "**Local Bus Company**") has granted the advertising rights on all the single-decker buses, double-decker buses and bus stations operated which owned by the Local Bus Company to the Group. The licensing agreements of single-decker buses, double-decker buses and bus stations will expire on 30 April 2019, 31 August 2015 and 30 June 2017 respectively. It is the common understanding between the Local Bus Company and the Group that the granting of such advertising rights is on an exclusive basis.

For the three months ended 30 September 2011, the Group recorded revenue of approximately HK\$11.2 million from the outdoor advertising operations and accounted for approximately 87% of the Group's turnover (three months ended 30 September 2010: Nil%). The Board believes that the potential within the advertising and marketing industry could be realized and strong growth would be expected in the near future.



## Advertising business in Hong Kong

On 18 February 2011, Superior Luck Investments Limited, a wholly owned subsidiary of the Company, entered into an agreement with Win Today Limited for the acquisition of 19% issued share capital in China New Media (HK) Company Limited (the “**CNM**”). CNM is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings. The consideration for the acquisition is HK\$78 million which shall be satisfied as to HK\$20 million in cash to be paid upon signing of the agreement; as to HK\$19 million in cash to be paid upon completion of the acquisition; and the remaining HK\$39 million to be satisfied by the issue of convertible bonds by the Company to Win Today Limited upon completion of the acquisition. The acquisition was completed on 13 July 2011.

The acquisition of CNM represents a horizontal expansion of the media platform currently provided by the Group and allows the Group to deploy a similar business model in Hong Kong. Although the Company is only acquiring a minority interest (19%) in CNM, the acquisition will enable the Group to tap in and participate in the media industry in Hong Kong. The acquisition is the Group’s first investment in Hong Kong’s outdoor media industry and the Company believes that outdoor media industry in Hong Kong will continue to enjoy substantial growth as a result of the close ties with the PRC and its accompanying robust economic growth. The economic growth of the PRC will have a general positive effect on Hong Kong’s economy which directly affects the local media industry.

## Software application solutions

The domestic sale of i-Panel and Aplus products and the provision of intranet design for residential communities remained the core business of the Group. Sales orders are obtained by the Group before completion of the construction of residential properties and intellectual system installations and related works will commence after the construction has been completed. As it usually takes more than a year from the date of receiving the orders up to commencement of the installation of the intellectual system and related works, revenue from this business sector in a financial year reflects the performance and ability of the Group to secure sales orders in the previous one to two years. Due to the financial crisis and subsequent economy downturn in 2008 and 2009, the Group was unable to maintain sufficient amount of sales orders from the slow residential market during that period and the Group’s revenue generated from this business sector for the three months ended 30 September 2011 experienced a significant decrease. With the gradual recovery of the global economy, the performance of this business sector of the Group has been picking up and the sale teams of the Group have been in negotiation with contractors in various construction projects. Although the market conditions in the property sector in the PRC has proved to be tough and various government measures to cool down this sector had been put in place, the Group believes that the performance of its intelligent system business will experience improvement as a result of the economy recovery and will cope with the challenges and continue to develop this core business. In addition, to brace itself from future fluctuations due to economic cycles, the Group is in the course of reviewing its intelligent system business, in particular the viability of expanding this business into other sectors other than residential properties.



## CAPITAL STRUCTURE

There was no change in the Company's capital structure during the period. The Company's issued share capital was HK\$95,062.12 and the number of its issued ordinary shares was 95,062,123 shares of HK\$0.001 each (the "Shares").

As at 30 September 2011, the total issued share capital is 95,062,123 Shares.

## OUTLOOK

### Acquisition of Redgate Ventures Limited (the "Redgate Ventures")

Redgate Ventures is a diversified media investment holding company in China primarily providing advertising and advertising agency services through its subsidiaries via a national multi-media platform that enables advertisers to conduct multiple-channel marketing campaigns. Redgate Ventures and its subsidiaries (the "Redgate Group") provides television advertising agency services with respect to city or provincial television channels and certain programs on city or provincial television channels. The outdoor advertising network of the Redgate Group consists of a commercial billboard and display network in not less than twenty cities with a significant presence in Beijing and a residential light-box network in Shanghai.

The Directors consider that there is synergy between the present business of the Group and those of the Redgate Group, in terms of business model and source of revenue, and the acquisition represents an opportunity for the Group to acquire an integrated cross-media platform and expand its presence in the television advertisement business in the PRC.

The Board believes that the potential within the advertising and marketing industry in both PRC and Hong Kong could be realised and strong growth would be expected in the near future. The Board is of the view that the acquisition of CNM and Redgate Group will enrich the earning base of the Group by introducing an additional investment platform to the Group.

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

Save as the acquisition of 19% equity interest in CNM mentioned in “Business Review” and the acquisition of 100% equity interest in Redgate Ventures mentioned in “Outlook”, there were no other material acquisitions and disposals of investments by the Group during the three months ended 30 September 2011.

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 27 October 2009, the Company issued convertible notes with the principal amount of HK\$75,000,000 as consideration for acquisition of approximately 47.2% interest in Gaofeng Holdings Co. Limited. The convertible notes, with maturity date of 27 October 2011, are convertible into Shares at an adjusted conversion price of HK\$20.14 per Share during the conversion period. As at 30 September 2011, convertible notes with the principal amount of HK\$13,800,000 have been converted into Shares of the Company. The Company has early redeemed the convertible notes in the principal amount of HK\$25,000,000 and HK\$31,800,000 on 31 January 2011 and 21 June 2011 respectively. The remaining balance of convertible notes in the principal amount of HK\$4,400,000 have been fully redeemed on 27 October 2011.

On 13 July 2011, the Company issued convertible notes with the principal amount of HK\$39,000,000 as consideration for acquisition of 19% interest in CNM. The convertible notes, with maturity date of 12 January 2013, are convertible into Shares at a conversion price of HK\$0.6 per Share during the conversion period. The Company has early redeemed the convertible notes in the principal amount of HK\$20,000,000 and HK\$19,000,000 on 6 October 2011 and 13 October 2011 respectively.

## FOREIGN CURRENCY RISK

During the three months ended 30 September 2011, the Group does not have a significant foreign currency risk exposure arising from its sales and purchases transactions as these transactions are mainly carried out in the entities' own functional currencies. As at 30 September 2011, there were no bank borrowings which were denominated in Renminbi (three months ended 30 September 2010: HK\$Nil). 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 2011.

## EMPLOYEES

The number of employees (including Directors) was 60 as at 30 September 2011 (three months ended 30 September 2010: 30), and the total staff costs (including Directors' remuneration) for the three months ended 30 September 2011 was approximately HK\$2,002,000 (three months ended 30 September 2010: HK\$2,212,000). 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 (the "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 63,070 share options granted to the grantees. Up to 30 September 2011, there were 46,041 share options under the Pre-IPO Share Option Scheme have been exercised and 4,415 share options have been lapsed. The remaining 12,614 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 2011	Option period	Exercise price per share
		Outstanding as at 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	5 July 2002	12,614	-	-	-	12,614	5 July 2002 to 4 July 2012	HK\$106.54
Total		12,614	-	-	-	12,614		

## (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 (the “**Post-IPO Share Option Scheme**”). Up to 30 September 2011, there were 1,699,547 share options granted to the grantees and there were 1,078,088 share options under the Post-IPO Share Option Scheme exercised and no share options has been cancelled. The remaining 621,459 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 2011	Option period	Exercise price per share
		Outstanding as at 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	23 August 2007	91,241	-	-	-	91,241	23 August 2007 to 22 August 2017	HK\$239.740
	31 December 2009	1,314	-	-	-	1,314	31 December 2009 to 30 December 2019	HK\$17.120
	23 August 2007	58,313	-	-	-	58,313	23 August 2007 to 22 August 2017	HK\$239.740
	9 September 2008	27,235	-	-	-	27,235	9 September 2008 to 8 September 2018	HK\$66.220
	16 December 2008	12,482	-	-	-	12,482	16 December 2008 to 15 December 2018	HK\$29.000
	31 December 2009	9,198	-	-	-	9,198	31 December 2009 to 30 December 2019	HK\$17.120
	6 January 2004	28	-	-	-	28	6 January 2004 to 5 January 2014	HK\$83.720
	20 September 2005	2,628	-	-	-	2,628	20 September 2005 to 19 September 2015	HK\$43.380
	23 August 2007	33,821	-	-	-	33,821	23 August 2007 to 22 August 2017	HK\$239.740
	9 September 2008	53,834	-	-	-	53,834	9 September 2008 to 8 September 2018	HK\$66.220

Date of grant	Number of share options				Outstanding as at 30 September 2011	Option period	Exercise price per share
	Outstanding as at 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period			
11 September 2008	57,814	-	-	-	57,814	11 September 2008 to 10 September 2018	HK\$74.200
16 December 2008	45,332	-	-	-	45,332	16 December 2008 to 15 December 2018	HK\$29.000
17 February 2009	31,535	-	-	-	31,535	17 February 2009 to 16 February 2019	HK\$37.680
29 May 2009	31,535	-	-	-	31,535	29 May 2009 to 28 May 2019	HK\$33.480
31 December 2009	7,475	-	-	-	7,475	31 December 2009 to 30 December 2019	HK\$17.120
15 January 2010	157,674	-	-	-	157,674	15 January 2010 to 14 January 2020	HK\$27.780
Total	621,459	-	-	-	621,459		

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

### (a) Directors' and chief executive's interest in the Company

As at 30 September 2011, none of the Directors and chief executive of the Company have any interests or short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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.



## INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, 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 and under section 324 of the SFO:

Name of shareholder	Capacity	Number of Shares	Number of underlying shares	Approximately percentage of issued share capital
Win Today Limited	Corporate <i>(Note 1)</i>	–	65,000,000	68.38%

*Note:*

1. Win Today Limited is wholly owned by Ms. Yu Wai Yin, Vicky.

Save as disclosed above, as at 30 September 2011, 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 and under section 324 of the SFO.

## COMPETING INTERESTS

As at 30 September 2011, 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 THE COMPANY'S LISTED 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 ex-director, Mr. Wong Yao Wing, Robert, an ex-director 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\$15,838,000. The Defendants denied the claims of the Plaintiff and have sought legal advice in this regard. The parties have agreed to an interim stay of up to 8 June 2011 to attempt mediation to settle the dispute. The mediation was not successful and the parties shall continue with the proceedings and is currently in the course of discovery.

Save as disclosed 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's corporate governance practices are based on the principles and the code provisions (the "**Code**") as set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 30 September 2011, with the exception of the deviation in respect of the appointment term of non-executive Directors as mentioned below.

Under code provision A.4.1, non-executive Directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors; however, they are subject to retirement by rotation in accordance with the bye-laws of the Company. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

## AUDIT COMMITTEE

The Company established an audit committee on 5 July 2002 with terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises Ms. Wong On Yee, Ms. Au Yuk Kit and Ms. Lu Di 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 2011 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

**Chen Chuan**

*Chairman*

Hong Kong, 10 November 2011

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

*Executive Directors:*

Mr. Chen Chuan (*Chairman*)

Mr. Ang Wing Fung

*Independent Non-Executive Directors:*

Ms. Wong On Yee

Ms. Au Yuk Kit

Ms. Lu Di