



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

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

Interim 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 six months ended 31 December 2011 amounted to approximately HK\$27,058,000, representing an increase of approximately 145% as compared to amount reported in the corresponding period in 2010.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$19,879,000 for the six months ended 31 December 2011.
- Basis loss per share amounted to HK\$0.22 for the six months ended 31 December 2011.
- The Board did not recommend the payment of a dividend for the six months ended 31 December 2011.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

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 six months ended 31 December 2011 as follow:–

	Notes	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations:</b>					
Turnover	3	14,189	10,916	27,058	11,059
Cost of sales		(14,213)	(10,183)	(29,083)	(12,853)
Gross (loss)/profit		(24)	733	(2,025)	(1,794)
Other revenue and net income		2,340	1,355	2,346	1,355
Marketing and promotion expenses		(753)	(694)	(1,223)	(1,363)
Administrative expenses		(5,239)	(11,847)	(11,398)	(19,484)
Finance costs		(163)	(2,767)	(1,162)	(4,945)
Share of losses of associates		(5)	(2)	(5)	(2)
Changes in fair value of derivative financial instruments		(1,384)	–	(1,384)	–
Gain/(loss) on disposal of trading securities		1,678	(727)	(5,453)	(1,589)
Gain/(loss) on fair value change in trading securities		641	(243)	(1,088)	100
<b>Loss before tax from continuing operations</b>	4	<b>(2,909)</b>	(14,192)	<b>(21,392)</b>	(27,722)
Income tax expenses	5	601	(387)	1,273	(387)
<b>Loss for the period from continuing operations</b>		<b>(2,308)</b>	(14,579)	<b>(20,119)</b>	(28,109)
<b>Discontinued operations:</b>					
Loss for the period from discontinued operations	6	–	(843)	–	(1,687)
<b>Loss for the period</b>		<b>(2,308)</b>	(15,422)	<b>(20,119)</b>	(29,796)

	Notes	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Loss for the period</b>		<b>(2,308)</b>	(15,422)	<b>(20,119)</b>	(29,796)
<b>Other comprehensive (loss)/income for the period</b>					
Exchange difference acting on translation of foreign operations		(20)	26	(68)	(8)
<b>Total comprehensive loss for the period</b>		<b>(2,328)</b>	(15,396)	<b>(20,187)</b>	(29,804)
<b>Loss for the period attributable to:</b>					
Owners of the Company		<b>(2,377)</b>	(15,278)	<b>(19,879)</b>	(29,248)
Non-controlling interests		<b>69</b>	(144)	<b>(240)</b>	(548)
		<b>(2,308)</b>	(15,422)	<b>(20,119)</b>	(29,796)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		<b>(2,397)</b>	(15,252)	<b>(19,947)</b>	(29,256)
Non-controlling interests		<b>69</b>	(144)	<b>(240)</b>	(548)
		<b>(2,328)</b>	(15,396)	<b>(20,187)</b>	(29,804)
<b>Loss per share attributable to owners of the Company</b>	7				
<b>From continuing and discontinued operations</b>			(Restated)	(Restated)	
– Basic and diluted		<b>(0.03)</b>	(0.26)	<b>(0.22)</b>	(0.51)
<b>From continuing operations</b>					
– Basic and diluted		<b>(0.03)</b>	(0.25)	<b>(0.22)</b>	(0.48)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>3,726</b>	6,545
Intangible assets	10	<b>51,122</b>	59,108
Goodwill	11	<b>48,979</b>	48,979
Available-for-sale investments	12	<b>78,000</b>	–
Interest in associates	13	<b>1,785</b>	1,790
Deposit for acquisition of subsidiaries		<b>80,000</b>	–
Deposit for acquisition of available-for-sale investments		–	20,000
		<b>263,612</b>	136,422
<b>Current assets</b>			
Trading securities	14	<b>6,138</b>	12,731
Inventories	15	<b>861</b>	–
Accounts receivable	16	<b>2,843</b>	3,813
Prepayments, deposits and other receivables		<b>14,565</b>	5,527
Promissory notes receivable	17	–	38,700
Cash and cash equivalents		<b>8,730</b>	114,172
		<b>33,137</b>	174,943
<b>Current liabilities</b>			
Trade payables, accrued expenses and other payables	18	<b>34,426</b>	22,803
Purchase consideration payable		<b>5,684</b>	5,684
Tax payable		<b>569</b>	318
Convertible notes	19	–	4,241
		<b>40,679</b>	33,046
<b>Net current (liabilities)/assets</b>		<b>(7,542)</b>	141,897
<b>Total assets less current liabilities</b>		<b>256,070</b>	278,319
<b>Non-current liabilities</b>			
Deferred taxation		<b>12,781</b>	14,843
Purchase consideration payable		<b>6,364</b>	6,364
		<b>19,145</b>	21,207
<b>NET ASSETS</b>		<b>236,925</b>	257,112

		<b>Unaudited 31 December 2011</b>	Audited 30 June 2011
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	<b>95</b>	95
Reserve		<b>227,407</b>	247,354
		<b>227,502</b>	247,449
Non-controlling interest		<b>9,423</b>	9,663
<b>TOTAL EQUITY</b>		<b>236,925</b>	257,112



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	Attributable to owners of the Company										Total
	Share capital	Share premium	Share options reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interest	
	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	14,660	5,625	43	(221)	(692,038)	45,795	9,449	55,244
Loss for the period	-	-	-	-	-	-	-	(29,248)	(29,248)	(548)	(29,796)
Exchange difference on consolidation	-	-	-	-	-	-	(8)	-	(8)	-	(8)
Total comprehensive loss for the period	-	-	-	-	-	-	(8)	(29,248)	(29,256)	(548)	(29,804)
Issue of new shares on acquisition	14,025	-	-	-	-	-	-	-	14,025	-	14,025
Issue of convertible note	-	-	-	5,187	-	-	-	-	5,187	-	5,187
Issue of shares	31,800	12,728	-	-	-	-	-	-	44,528	-	44,528
Share issuance cost	-	(1,336)	-	-	-	-	-	-	(1,336)	-	(1,336)
Obtaining control of subsidiary	-	-	-	-	-	-	-	-	-	217	217
Capital reorganisation	(118,828)	(504,779)	-	-	31,569	-	-	592,038	-	-	-
At 31 December 2010	1,200	11,392	38,714	19,877	37,194	43	(229)	(29,248)	78,943	9,118	88,061
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	-	-	-	-	-	-	-	(19,879)	(19,879)	(240)	(20,119)
Exchange difference on consolidation	-	-	-	-	-	-	(68)	-	(68)	-	(68)
Total comprehensive loss for the period	-	-	-	-	-	-	(68)	(19,879)	(19,947)	(240)	(20,187)
Issue of convertible note	-	-	-	11,508	-	-	-	-	11,508	-	11,508
Redemption of convertible notes	-	-	-	(12,250)	-	-	-	742	(11,508)	-	(11,508)
At 31 December 2011	95	225,775	38,714	-	52,959	43	(487)	(89,597)	227,502	9,423	236,925

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2011

	Unaudited	
	Six months ended	
	31 December	2010
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(5,712)</b>	(664)
Net cash used in investing activities	<b>(60,662)</b>	(29,436)
Net cash (used in)/generated from financing activities	<b>(39,000)</b>	43,192
(Decrease)/increase in cash and cash equivalents	<b>(105,374)</b>	13,092
Cash and cash equivalents at the beginning of the period	<b>114,172</b>	10,283
Effect of foreign exchange rate change	<b>(68)</b>	(60)
Cash and cash equivalent at the end of the period	<b>8,730</b>	23,315
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	<b>8,730</b>	23,315
Bank overdrafts	–	–
Cash and cash equivalents	<b>8,730</b>	23,315

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**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the period, the Group incurred a loss of approximately HK\$20,119,000 (six months ended 31 December 2010: HK\$29,796,000) and had net current liabilities of approximately HK\$7,542,000 as at 31 December 2011.

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors are currently implement stringent cost control measures over administrative and other expenses to improve the operating and financial position of the Group.

In the opinion of the directors, the successful implementation of the above measures, the Group will have sufficient cash resources to satisfy its future working capital and other financial commitments. The directors are of the opinion that the above measures will be successful implemented. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments may have to be made to write down assets to their recoverable amounts. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

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 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosure – Transfers of Financial Assets
HKAS 24 (Amendment)	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	Deferred Tax – Recovery of Underlying Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>

<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 income from outdoor advertising operations and income from design of residential intranet, provision of home-automation services and trading of related home-automation products 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 Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations</b>		
Income from outdoor advertising operations	<b>23,075</b>	10,882
Income from design of residential intranet, provision of home-automation services and trading of related home-automation products	<b>3,983</b>	177
	<b>27,058</b>	11,059

### 4. LOSS BEFORE INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	<b>59</b>	3
Interest on convertible notes	<b>1,079</b>	4,942
Other loan interest	<b>24</b>	–
Staff costs	<b>3,405</b>	4,999
Amortisation of intangible assets	<b>7,986</b>	5,123
Depreciation on owned assets	<b>3,233</b>	3,767
Operating lease charge in respect of office premises	<b>375</b>	757

## 5. INCOME TAX EXPENSES

Income tax expenses in the consolidated statement of comprehensive income represents:

	Unaudited Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
<b>Current tax</b>		
PRC Enterprise Income Tax	789	387
<b>Deferred tax</b>		
Current period	(2,062)	-
	<b>(1,273)</b>	387

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 (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 (the "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.

## 6. DISCONTINUED OPERATIONS

During the prior periods, the Group was engaged in the sale of dolomite, investment, consultation and mining engineering technical consultation in the PRC through the Inno Gold Mining Limited and its subsidiaries (the "Inno Gold Mine Group").

On 7 October 2010, the Company and Gold Concept Investments Limited (the "Gold Concept") entered into the sale and purchase agreement (the "Agreement") pursuant to which the Company conditionally agreed to sell and Gold Concept conditionally agreed to acquire the sale shares and the sale loan at an aggregate consideration of HK\$15,000,000. The disposal was completed on 9 May 2011.

## 6. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operation for the prior periods, which had been included in the profit or loss, were as follows:

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
<b>Loss for the period from discontinued operations</b>		
Turnover	–	–
Cost of sales and services	–	(339)
Gross loss	–	(339)
Marketing and promotion expenses	–	(367)
Administrative expenses	–	(981)
Loss before income tax	–	(1,687)
Income tax	–	–
Loss for the period	–	(1,687)

The cash flow information of the discontinued operation was as follows:

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	–	8
Net cash used in investing activities	–	–
Net cash used in financing activities	–	–
Decrease in cash and cash equivalents	–	8

## 7. 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.

## 7. LOSS PER SHARE (Continued)

Basic and diluted loss per share amounts for the three months ended 31 December 2010 and the six months ended 31 December 2010 are restated to take into effect the Company's capital reorganization and rights issue completed in the year ended 30 June 2011.

As the Company's outstanding convertible bonds, share options and warrants, 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:

	Unaudited three months ended 31 December 2011		Unaudited six months ended 31 December 2011	
	HK\$'000	2010 HK\$'000	HK\$'000	2010 HK\$'000
Loss for the period attributable to:				
Owners of the Company	<b>(2,978)</b>	(14,891)	<b>(21,152)</b>	(28,861)
	Number of shares three months ended 31 December 2011		Number of shares six months ended 31 December 2011	
	(Unaudited) '000	(Unaudited – restated) '000	(Unaudited) '000	(Unaudited – restated) '000
Weight average number of ordinary shares for basic and diluted loss per share calculation	<b>95,062</b>	56,757	<b>95,062</b>	56,491



## 7. LOSS PER SHARE (Continued)

### From continuing operations:

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

	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period attributable to:				
Owners of the Company	<b>(2,978)</b>	(14,048)	<b>(21,152)</b>	(27,174)

  

	Number of shares three months ended 31 December		Number of shares six months ended 31 December	
	2011 (Unaudited) '000	2010 (Unaudited – restated) '000	2011 (Unaudited) '000	2010 (Unaudited – restated) '000
Weight average number of ordinary shares for basic and diluted loss per share calculation	<b>95,062</b>	56,757	<b>95,062</b>	56,491

## 8. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### (a) Business segments

The Group comprises the following main business segments:

Intelligent system:	The development and sale of intelligent home electronic application system.
Outdoor advertising:	Rental revenue from display of advertisements on bus bodies and stations.

## 8. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Segment information about these businesses is set out as follows:

	For the six months ended			Total (unaudited) HK\$'000
	31 December 2011			
	Continuing operations	Continuing operations	Discontinuing operations (Note 6)	
	Outdoor advertising (unaudited) HK\$'000	Intelligent system (unaudited) HK\$'000	Gold mining (unaudited) HK\$'000	
<b>Segment revenue</b>				
Revenue from external customers	23,075	3,983	–	27,058
<b>Reportable segment loss</b>	(6,176)	(3,760)	–	(9,936)
Depreciation and amortization	8,058	3,082	–	11,140

	For the six months ended			Total (unaudited) HK\$'000
	31 December 2010			
	Continuing operations	Continuing operations	Discontinuing operations (Note 6)	
	Outdoor advertising (unaudited) HK\$'000	Intelligent system (unaudited) HK\$'000	Gold mining (unaudited) HK\$'000	
<b>Segment revenue</b>				
Revenue from external customers	10,882	177	–	11,059
<b>Reportable segment profit/(loss)</b>	1,558	(12,902)	(1,687)	(13,031)
Depreciation and amortization	56	8,797	139	8,992

## 8. SEGMENT INFORMATION (Continued)

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

	<i>Notes</i>	Unaudited Six months ended 31 December	
		2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>			
Continuing operations:			
Reportable segments' revenues		27,058	11,059
Elimination of inter-segment revenue		–	–
		<b>27,058</b>	11,059
Discontinued operations:			
Reportable segments' revenues		–	–
Elimination of inter-segment revenue		–	–
	6	–	–
		<b>27,058</b>	11,059
<b>Loss before income tax</b>			
Continuing operations:			
Reportable segment loss		(9,936)	(13,031)
Share of profits less losses of associates		(5)	(2)
Other revenue and other net income		4,205	1,454
Finance costs		(1,103)	(4,945)
Unallocated head office and corporate expenses		(14,553)	(11,198)
Consolidated loss before income tax		<b>(21,392)</b>	(27,722)
Discontinued operations:			
Reportable segment loss		–	(1,687)
	6	–	(1,687)
		<b>(21,392)</b>	(29,409)

## 8. SEGMENT INFORMATION (Continued)

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

	Unaudited 31 December	
	2011	2010
	HK\$'000	HK\$'000
<b>Total assets</b>		
Reportable segment assets	<b>119,383</b>	180,014
Elimination of inter-segment receivables	-	-
	<b>119,383</b>	180,014
Interest in associates (accounted for by the equity method)	<b>1,785</b>	1,790
Unallocated		
– Available-for-sale investments	<b>78,000</b>	-
– Promissory notes receivable	-	37,777
– Others	<b>97,581</b>	33,772
Consolidated total assets	<b>296,749</b>	253,353
<b>Total liabilities</b>		
Reportable segment liabilities	<b>35,845</b>	69,130
Elimination of inter-segment payables	-	-
	<b>35,845</b>	69,130
Unallocated		
– Deferred taxation	<b>12,781</b>	1,403
– Convertible notes	-	92,067
– Others	<b>11,198</b>	2,692
	<b>59,824</b>	165,292



## 8. SEGMENT INFORMATION (Continued)

### (c) *Geographic information*

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

## 9. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 2011 HK\$'000
Net book value as at 1 July	6,545
Additions	414
Depreciation	(3,233)
Net book value as at 31 December	3,726

## 10. INTANGIBLE ASSETS

	Unaudited 2011 HK\$'000
Net book value as at 1 July	59,108
Amortisation	(7,986)
Net book value as at 31 December	51,122

## 11. GOODWILL

	Unaudited 2011 HK\$'000
Net book value as at 1 July	48,979
Written-off during the period	-
Net book value as at 31 December	48,979

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Unlisted investments at cost	<b>78,000</b>	–

The Group hold 19% registered capital of China New Media (HK) Company Limited (the "China New Media"). China New Media is engage in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings.

## 13. INTEREST IN ASSOCIATES

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Share of net assets	<b>1,785</b>	1,790

## 14. TRADING SECURITIES

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Listed securities:		
– Equity securities listed in Hong Kong	<b>6,138</b>	12,731

Fair values are determined with reference to quoted market bid price.

## 15. INVENTORIES

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Finished goods	<b>109</b>	–
Work in progress	<b>501</b>	–
Raw materials	<b>251</b>	–
	<b>861</b>	–

## 16. ACCOUNTS RECEIVABLE

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Trade debtors	<b>2,687</b>	3,667
Less: allowance for doubtful debts	–	–
	<b>2,687</b>	3,667
Receivable from associates	<b>156</b>	146
	<b>2,843</b>	3,813

The ageing analysis of trade debtors is as follows:

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Current	<b>1,888</b>	2,710
Less than 1 months past due	<b>431</b>	903
1 to 3 months past due	<b>112</b>	–
Over 3 months past due	<b>256</b>	54
	<b>2,687</b>	3,667

## 17. PROMISSORY NOTES RECEIVABLE

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
At the beginning of period/year	<b>38,700</b>	38,573
Repayment	<b>(38,700)</b>	(2,150)
Interest credited	–	2,277
At the end of period/year	–	38,700

**18. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>Unaudited 2011 HK\$'000</b>	Audited 2011 HK\$'000
Trade payables	<b>2,017</b>	1,054
Accrued expenses and other payables	<b>27,963</b>	21,031
Receipts in advance	<b>4,446</b>	718
	<b>34,426</b>	22,803

	<b>Unaudited 2011 HK\$'000</b>	Audited 2011 HK\$'000
Less than 1 month	<b>1,565</b>	122
1 to 3 months	<b>452</b>	26
Over 3 months	<b>–</b>	906
	<b>2,017</b>	1,054

**19. CONVERTIBLE NOTES**

	<b>Unaudited 2011 HK\$'000</b>
Liability component as at the 1 July 2010	<b>66,752</b>
Issue of convertible notes	<b>20,373</b>
Redemption	<b>(90,512)</b>
Interest charged	<b>7,628</b>
Liability component as at the 30 June 2011	<b>4,241</b>
Issue of convertible note	<b>27,492</b>
Redemption	<b>(32,812)</b>
Interest charged	<b>1,079</b>
Liability component as at the 31 December 2011	<b>–</b>



## 20. SHARE CAPITAL

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Authorised:		
300,000,000,000 shares of HK\$0.001 each	<b>300,000</b>	300,000
Issued and fully paid:		
95,062,123 share of HK\$0.001 each	<b>95</b>	95

## 21. COMMITMENTS

### *i) Operating lease commitments*

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Within 1 year	<b>366</b>	379
Over 1 year but within 5 years	<b>263</b>	95
	<b>629</b>	474

### *ii) Capital commitments*

	<b>Unaudited 31 December 2011 HK\$'000</b>	Audited 30 June 2011 HK\$'000
Contracted but not provided for:		
Investment on joint venture	<b>19,566</b>	18,333

## 22. 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 six months ended 31 December 2011 (2010: Nil).

## BUSINESS REVIEW

For the six months ended 31 December 2011, the Group's unaudited consolidated turnover amounted to approximately HK\$27,058,000 (2010: HK\$11,059,000).

The Group recorded a net loss of approximately HK\$19,879,000 for the six months ended 31 December 2011 (2010: net loss HK\$29,248,000). Basic loss per share for the six months ended 31 December 2011 was HK\$ 0.22 (2010: basic loss per share: HK\$0.51 (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 six months ended 31 December 2011, the Group recorded revenue of approximately HK\$23 million from the outdoor advertising operations and accounted for approximately 85% of the Group's turnover (2010: 98%). 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 six months ended 31 December 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 31 December 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 proposed 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 six months ended 31 December 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 six months ended 31 December 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 31 December 2011, there were no bank borrowings which were denominated in Renminbi (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 six months ended 31 December 2011.

## EMPLOYEES

The number of employees (including Directors) was 60 as at 31 December 2011 (2010: 66), and the total staff costs (including Directors' remuneration) for the six months ended 31 December 2011 was approximately HK\$3,405,000 (2010: HK\$4,999,000). 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 31 December 2011, there were 46,041 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 31 December 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 Jul 2002 to 4 Jul 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 31 December 2011, there were 1,699,547 share options granted to the grantees and there were 1,078,088 shares options under the Post-IPO Share Option Scheme exercised and no 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 31 December 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 Aug 07 to 22 Aug 17	HK\$239.74
	31 December 2009	1,314	-	-	-	1,314	31 Dec 09 to 30 Dec 19	HK\$17.12
	23 August 2007	58,313	-	-	-	58,313	23 Aug 07 to 22 Aug 17	HK\$239.74
	9 September 2008	27,235	-	-	-	27,235	9 Sep 08 to 8 Sep 18	HK\$66.22
	16 December 2008	12,482	-	-	-	12,482	16 Dec 08 to 15 Dec 18	HK\$29.00
	31 December 2009	9,198	-	-	-	9,198	31 Dec 09 to 30 Dec 19	HK\$17.12
	6 January 2004	28	-	-	-	28	6 Jan 04 to 5 Jan 14	HK\$83.72
	20 September 2005	2,628	-	-	-	2,628	20 Sep 05 to 19 Sep 15	HK\$43.38
	23 August 2007	33,821	-	-	-	33,821	23 Aug 07 to 22 Aug 17	HK\$239.74
	9 September 2008	53,834	-	-	-	53,834	9 Sep 09 to 8 Sep 19	HK\$66.22

Date of grant	Number of share options				Outstanding as at 31 December 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 Sep 08 to 10 Sep 18	HK\$74.20
16 December 2008	45,332	-	-	-	45,332	16 Dec 08 to 15 Dec 18	HK\$29.00
17 February 2009	31,535	-	-	-	31,535	17 Feb 09 to 16 Feb 19	HK\$37.68
29 May 2009	31,535	-	-	-	31,535	29 May 09 to 28 May 19	HK\$33.48
31 December 2009	7,475	-	-	-	7,475	31 Dec 09 to 30 Dec 19	HK\$17.12
15 January 2010	157,674	-	-	-	157,674	15 Jan 10 to 14 Jan 20	HK\$27.78
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 executives' interest in the Company

As at 31 December 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 FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2011, so far as is known to the Directors, no persons (not being Directors or chief executive of the Company) had an interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO; or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Group.

## **COMPETING INTERESTS**

As at 31 December 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 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 million. 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. The Defendants filed a defence against the claims of the Plaintiff denying having entered into such oral investment agreement and making the alleged representations and therefore denied all liability for the claims made therein. As at 31 December 2011, the parties are proceeding to discovery.

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’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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). The principles adopted by the Company emphasis 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 31 December 2011, with the exception of the deviation in respect of the code of conduct regarding securities transactions by the Directors and 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 Rule 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 six months ended 31 December 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 February 2012

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