INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

Annual Report 11/12

INNO-TECH
HOLDINGS LIMITED
匯 創 控 股 有 限 公 司

(Incorporated in Bermuda with Limited Liability)
(Stock code：8202)

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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BOARD OF DIRECTORS

Mr. Chen Chuan *(Chairman)*
Mr. Ang Wing Fung
Ms. Wong On Yee*
Ms. Lu Di*
Mrs. Kwan Leung, Anna*
(appointed on 2 April 2012)
Ms. Au Yuk Kit*
(resigned on 2 April 2012)

** 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)*
Ms. Lu Di
Mrs. Kwan Leung Anna
(appointed on 2 April 2012)
Ms. Au Yuk Kit
(resigned on 2 April 2012)

REMUNERATION COMMITTEE MEMBERS

Mr. Ang Wing Fung *(Chairman)*
Ms. Wong On Yee
Ms. Lu Di

NOMINATION COMMITTEE MEMBERS

Mr. Chen Chuan *(Chairman)*
(appointed on 18 January 2012)
Ms. Wong On Yee
(appointed on 18 January 2012)
Mrs. Kwan Leung, Anna
(appointed on 2 April 2012)
Ms. Au Yuk Kit
(appointed on 18 January 2012 and resigned on 2 April 2012)

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER TO THE COMPANY

Troutman Sanders (as to Hong Kong Laws)
Tang Tso & Lau Solicitors
(as to Hong Kong Laws)

PRINCIPAL BANKER

Shanghai Commercial Bank Ltd.

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

COMPANY WEBSITE

http://www.it-holdings.com.hk

Note: Information contained in this website does not form part of this annual report.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

GEM STOCK CODE

8202

Five-year Financial Summary

	Year ended 30 June 2012 HK$'000	Year ended 30 June 2011 HK$'000	Year ended 30 June 2010 HK$'000 (restated)	Year ended 30 June 2009 HK$'000	Period from 1 April 2007 to 30 June 2008 HK$'000
Turnover	**48,283**	30,140	9,345	78,112	143,971
Cost of sales	**(53,980)**	(48,768)	(19,889)	(80,698)	(111,964)
Gross (loss)/profit	**(5,697)**	(18,628)	(10,544)	(2,586)	32,007
Other revenue and other net income	**1,050**	7,530	14,634	5,487	6,413
Marketing and promotion expenses	**(2,052)**	(2,849)	(4,691)	(4,660)	(19,199)
Administrative expenses	**(47,529)**	(75,707)	(51,418)	(389,076)	(87,464)
Loss before income tax	**(54,228)**	(89,654)	(52,019)	(390,835)	(68,234)
Income tax	**2,634**	3,902	9,056	(165)	(3,109)
Loss from continuing operations	**(51,594)**	(85,752)	(42,963)	(391,000)	(71,352)
Profit/(loss) for the year from discontinued operations	**–**	721	(184,429)	–	–
Loss for the year/period	**(51,594)**	(85,031)	(227,392)	(391,000)	(71,352)
Loss attributable to:					
Owners of the Company	**(47,160)**	(82,478)	(140,706)	(391,000)	(71,352)
Non-controlling interest	**(4,434)**	(2,553)	(86,686)	–	–
	(51,594)	(85,031)	(227,392)	(391,000)	(71,352)
Dividends	**–**	–	–	–	–
Loss per share – Basic & diluted	**(50) cents**	(187) cents	(341) cents	(25.08) cents	(6.28) cents

Note: The figures for the year ended 30 June 2010 have been re-presented as if the gold mining segment has been discontinued at the beginning of the year ended 30 June 2010, the earliest period presented.

	As at 30 June				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Total assets	**271,900**	311,365	156,725	144,147	434,810
Total liabilities	**(59,915)**	(54,253)	(101,481)	(61,163)	(99,089)
Shareholders' funds	**206,756**	247,449	45,795	82,984	335,721
Non-current assets	**173,376**	136,422	96,138	122,739	207,228
Current assets	**98,524**	174,943	60,587	21,408	227,582
Current liabilities	**(48,798)**	(33,046)	(47,402)	(32,706)	(91,300)
Non-current liabilities	**(11,117)**	(21,207)	(54,079)	(28,457)	(7,789)

On behalf of the Board of Directors, I am pleased to report the Group's results for the year ended 30 June 2012.

Due to the market conditions in the property sector in the PRC has proved to be tough and various government measures to slow down this sector had been put in place and the unsatisfactory performance of our software application solutions division, we had to scale down the software application solutions operations. The outdoor advertising business becomes our core business since last year.

The Group achieved revenue of approximately HK$48 million for the year ended 30 June 2012, represented an increased by approximately HK$18 million or 60% over the corresponding prior year ended. The increment was mostly contributed by the revenue stream which derived from the outdoor advertising business.

In the long-run, China's economic growth is expected to be driven by rising domestic consumption which will create a good environment for us to further develop our advertising business. On 31 August 2012, we have completed the acquisition of Redgate Ventures Limited (the "Redgate Ventures) and its subsidiaries (hereafter collectively referred to as the "Redgate Ventures Group") whose operates its current business in advertising across a wide array of billboards, television airtime, and other mass media, which are all positioned to reach China's fast-growing class of increasingly-affluent domestic consumers. Redgate Ventures Group's outdoor inventory includes over sixty large-format billboards and operates advertising-related media nationwide in China, covering 53 cities. We believe the advertising and media industry will be one of the fastest growing sectors in PRC.

We have completed the acquisition of 19% equity interest of China New Media (HK) Company Limited during the year. It represents a horizontal expansion of the media platform currently provided by the Group and allows the Group to deploy the advertising business in Hong Kong. I believe that the outdoor media industry in Hong Kong will continue to enjoy substantial growth as a result of the close ties with the PRC and it's accompanying robust economic growth.

On behalf of the Board of Directors, I would like to thank all of our directors, management, and staff for their support and dedication in the past year. I would also like to express my most sincere appreciation to the shareholders of the company (the "Shareholders") and business partners for their unrelenting trust and support to the Group.

Chen Chuan
Chairman

Hong Kong, 21 September 2012

FINANCIAL PERFORMANCE

The Group reported a turnover of approximately HK$48,283,000 for the year ended 30 June 2012, representing a increase of approximately 60.2% compared with the turnover of approximately HK$30,140,000 for the year ended 30 June 2011. During the 12 months of operation, the advertising business sector contributed a turnover of approximately HK$42,889,000 being the major source of turnover.

Gross loss for the Group is approximately HK$5,697,000 (2011: HK$18,628,000), which was mainly due to the amortisation of intangible assets for the year.

The Group's loss before income tax as at 30 June 2012 was approximately HK$54,228,000 (2011: HK$89,654,000).

Basic loss per share from continuing operations as at 30 June 2012 was HK50 cents (2011: HK187 cents).

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2012 (2011: Nil).

BUSINESS REVIEW

Outdoor advertising business in PRC

The Chinese government implemented measures to curb inflation and property prices during the year. Despite the challenging international macroeconomic environment and the tightening effect of these government policies, China's domestic consumption continued to rise on the back of continued urbanisation and rising general income. This provided a favorable foundation for the development of the advertising industry in China.

Domestic brands in the Greater China Region were even more active, increasing their advertising spending to gain further ground in the consumer market in China. New advertising clients from the household equipment industries made significant contributions to our revenue increase during the year. It is due to replacement of old-fashioned equipment by new model and the Chinese Government new subsidies program for energy-efficient equipment. Telecommunications and beverages remained the top two industries, accounting for about 33% of the turnover from advertising business.

Although advertiser demand continued to rise, as new inventories and capacity were added by existing advertising platform operators, competition between outdoor advertising and other advertising formats continued to be keen.

During the year ended 30 June 2012, the outdoor advertising business performed well with sales revenue increasing by 47.7% to HK$42,889,000 in 2012, from HK$29,037,000 in the previous year. This was achieved thanks to our growth strategy and rapidly rising domestic consumption in China. The Board believes that the potential within the advertising and marketing industry could be realised and strong growth would be expected in the near future.

BUSINESS REVIEW (continued)

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, specialising 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

Due to the market conditions in the property sector in the PRC has proved to be tough and various government measures to slow down this sector had been put in place and the unsatisfactory performance of our software application solutions division, we had to scale down the software application solutions operations in 2011 thus resulting in an impairment loss in our investments in the software application solutions business in last year. The Group intended to focus on the advertising business and continued to expand into industries with more prospects.

PROSPECTS

Acquisition of Redgate Ventures Group

Redgate Ventures is a major media investment holding company that operates primarily in China. Through its subsidiaries, Redgate Ventures operates its current business in advertising across a wide array of billboards, television airtime, and other mass media, which are all positioned to reach China's fast-growing class of increasingly-affluent domestic consumers. Redgate Ventures Group provides advertising and advertising agency services to clients who advertise across a wide range of media. Redgate Ventures Group is also engaged in other advertising-related media activities such as product-placement, film consulting, and television program production. The Directors consider that there is synergy between the present business of the Group and those of the Redgate Ventures 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 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 Redgate Ventures Group will enrich the earning base of the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2012, the net current assets of the Group were approximately HK$49,726,000 (2011: HK$141,897,000). Out of the current assets as at 30 June 2012, approximately HK$4,419,000 (2011: HK$114,172,000) were cash and cash equivalents. The current ratio of the Group as at 30 June 2012 was 202% (2011: 529%). As at 30 June 2012, short-term bank borrowings and convertible notes in aggregate amounted to approximately HK$4,400,000 (2011: HK$4,241,000). Net debt (i.e. total bank borrowings less cash and cash equivalent and pledged deposits) as at 30 June 2012 was HK$19,000 (2011: HK$109,931,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 June 2012 was Nil (2011: Nil).

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 June 2012, the total issued share capital is 95,062,123 Shares.

Conversion of 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 Holding 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. The convertible notes with the principal amount of HK$13,800,000 have been converted into Shares of the Company during the year ended 30 June 2010. 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 has been fully redeemed on 27 October 2011.

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

FOREIGN CURRENCY EXCHANGE RISK

The reporting currencies of the Group is Hong Kong dollars (the "HK$").

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in the Renminbi (the "RMB").

As at 30 June 2012, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB, used by the Group entities or in the HK$ functional currency Group entities.

As at 30 June 2012, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

PLEDGE OF ASSETS

There were no assets pledged to third parties as at 30 June 2012 and 2011.

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR 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 “Prospects”, there were no other material acquisitions and disposals of investments by the Group during the year ended 30 June 2012.

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.

HUMAN RESOURCES

The number of employees (including Directors) was 42 as at 30 June 2012 (2011: 60), and the total remuneration for the year ended 30 June 2012 was approximately HK$6,873,000 (2011: HK$9,943,000). The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2012 (2011: Nil) and no interim dividend was paid during the year (2011: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period of the Group are set out in Note 45 to the financial statements.

DIRECTORS

Mr. Chen Chuan, *aged 52*

Chairman and Executive Director

Mr. Chen Chuan, aged 52, is an executive Director and chairman of the Board of the Group. Mr. Chen is the general manager of Shanghai Zhou Jun Construction Engineering Accessories Co. Ltd.*（上海卓駿建築工程配套有限公司）. Mr. Chen is an engineer and holds a Bachelor degree in Biological Engineering from School of Biotechnology of Jiangnan University.

Mr. Ang Wing Fung, *aged 39*

Executive Director

Mr. Ang Wing Fung, aged 39 is an executive director of the Group. Mr. Ang is responsible for the Group's financial operation and management. Mr. Ang is also the Company Secretary and Financial Controller of China Fortune Investments (Holdings) Limited (Stock Code: 8116), a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the independent non-executive director of UKF (Holdings) Limited (Stock Code: 8168), a company listed on the GEM of the Stock Exchange. Mr. Ang holds a degree of Master of Business Administration (Executive) from the City University of Hong Kong and a Bachelor degree in Accounting and Finance from the University of New South Wales, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, a qualified member of CPA Australia and an associated member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 10 years experience in financial management, auditing and accounting in an international accounting firm and a listed company on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong On Yee, *aged 36*

Independent Non-Executive Director and Chairman of Audit Committee

Ms. Wong On Yee, aged 36, is an independent non-executive director and the chairman of audit committee of the Group. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree in accountancy from the Hong Kong Polytechnic University. Ms. Wong has over 10 years of experience in the fields of auditing, accounting and finance. She worked for an international audit firm for nearly 8 years. She is currently the director of an accountancy consulting firm. Ms. Wong did not hold any directorship in any public listed company in the last three years.

Ms. Lu Di, *aged 29*

Independent Non-Executive Director and Audit Committee Member

Ms. Lu Di, aged 29, is an independent non-executive director and a member of audit committee of the Group. Ms. Lu graduated from the University of Toronto, Canada with a Honours Bachelor of Commerce. Ms. Lu is currently the Brand Promotion Manager of one of the PRC online media company and she has worked in marketing field for five years. Ms. Lu did not hold any directorship in any public listed company in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mrs. Kwan Leung, Anna, *aged 50*

Independent Non-Executive Director and Audit Committee Member

Mrs. Kwan Leung, Anna, aged 50, was appointed as an independent non-executive Director and a member of audit committee of the Group with effect from 2 April 2012. Mrs. Kwan has over 20 years experience in the entertainment industry as an image and general consultant for artists in the television and film sectors. Apart from her directorship with the Group, Mrs. Kwan currently does not hold any directorship in any public listed company.

SENIOR MANAGEMENT

Mr. Tse Wing York, *aged 32*

Company Secretary

Mr. Tse Wing York, was appointed as the Company Secretary with effect from 3 October 2011. Mr. Tse is a member of the Hong Kong Institute of Certified Public Accountants and has over 7 years of experience in auditing and financial management. Mr. Tse holds a bachelor's degree in business administration from the Lingnan University.

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

There were no significant changes in the nature of the Company's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2012 are set out on page 28 of the annual report.

The Directors do not recommend the payment of a final dividend in respect of the year ended 30 June 2012. No interim dividend has been paid by the Company during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in Note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 35 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company are set out in Note 37 to the financial statements.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 30 June 2012, which do not constitute connected transactions under the GEM Listing Rules are disclosed in Note 43 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Chen Chuan
Mr. Ang Wing Fung

Independent non-executive Directors:

Ms. Wong On Yee
Ms. Lu Di
Mrs. Kwan Leung, Anna (appointed on 2 April 2012)
Ms. Au Yuk Kit (resigned on 2 April 2012)

In accordance with Bye-law 86 and 87 of the Company's Bye-laws, Ms. Wong On Yee and Mrs. Kwan Leung, Anna will hold office until the forthcoming annual general meeting; Ms. Wong On Yee and Mrs. Kwan Leung, Anna will retire at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Chuan who is chairman and executive Director, entered into the services contract with the Company for a term of two year commencing from 19 January 2011 and shall continue thereafter until terminated by either party giving to the other not less than three month notice in writing. As at 30 June 2012, none of these service contracts have been terminated by either party.

Mr. Ang Wing Fung who is executive Director, entered into the renewal services contract with the Company for a term of two year commencing from 19 February 2012 and shall continue thereafter until terminated by either party giving to the other not less than three month notice in writing. As at 30 June 2012, none of these service contracts have been terminated by either party.

No service contract has been entered into between the Company and the independent non-executive Directors. However, the Board has approved the statutory compensation of the independent non-executive directors on 1 July 2011 and payable on or before 30 June 2012.

Save as disclosed, none of the Directors has entered into any service agreements with any member of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and senior management of the Group are set out on pages 10 and 11 of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 11 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Ms. Wong On Yee, Ms. Lu Di and Mrs. Kwan Leung, Anna an annual confirmation of her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers the independent non-executive Directors to be independent.

SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme ("Pre-IPO Share Option Scheme") adopted on 5 July 2002, the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 (the "Prospectus"), there were 63,070 share options granted to the grantees. Up to 30 June 2012, 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:

		Number of share options						
	Date of grant	Outstanding as at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2012	Option period	Exercise price per share
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		

SHARE OPTION SCHEME (continued)

(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 June 2012 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:

		Number of share options						
	Date of grant	Outstanding as at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2012	Option period	Exercise price per share
Other employees and consultants	6 January 2004	28	–	–	–	28	6 January 2004 to 5 January 2014	HK$83.72
	20 September 2005	2,628	–	–	–	2,628	20 September 2005 to 19 September 2015	HK$43.38
	23 August 2007	183,375	–	–	–	183,375	23 August 2007 to 22 August 2017	HK$239.74
	9 September 2008	81,069	–	–	–	81,069	9 September 2008 to 8 September 2018	HK$66.22
	11 September 2008	57,814	–	–	–	57,814	11 September 2008 to 10 September 2018	HK$74.20
	16 December 2008	57,814	–	–	–	57,814	16 December 2008 to 15 December 2018	HK$29.00
	17 February 2009	31,535	–	–	–	31,535	17 February 2009 to 16 February 2019	HK$37.68
	29 May 2009	31,535	–	–	–	31,535	29 May 2009 to 28 May 2019	HK$33.48
	31 December 2009	17,987	–	–	–	17,987	31 December 2009 to 30 December 2019	HK$17.12
	15 January 2010	157,674	–	–	–	157,674	15 January 2010 to 14 January 2020	HK$27.78
	Total	621,459	–	–	–	621,459		

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

Directors' and chief executives' interest in the Company

As at 30 June 2012, none of the Directors nor the chief executives of the Company had any other interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, there are no interests and short positions of persons in the shares and underlying shares of the Company 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 are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUBSIDIARIES

Details of the Company's subsidiaries at 30 June 2012 are set out in Note 18 to the financial statements.

CONVERTIBLE SECURITIES

Details of convertible securities of the Group are set out in Note 32 to the financial statements.

COMPETING INTERESTS

As at 30 June 2012 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.

LITIGATION

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 of the Company, Mr. Wong Yao Wing, Robert, an ex-director 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$15,838,000. 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.

LITIGATION (continued)

During the year ended 30 June 2012, the Defendants had jointly taken out an application for leave to adduce expert evidence from independent witnesses on issues revolving around the placing agreement in June 2008. After the hearing on 17 September 2012, the Court refused leave to adduce expert evidence with costs to the Plaintiff. The Court also fixed the date for the next case management conference on 17 January 2013.

The directors, based on legal advice, consider that the Plaintiff does not have any valid claim against the Company at all and the Company has good defense to the claims. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

On 14 January 2011, a Writ of Summons was issued by Smart Step Holdings Limited ("SSHL") as the plaintiff against the Company, Inno-Gold Mining Limited ("IGML") and Dragon Emperor International Limited ("DEIL"). DEIL and IGML were the subsidiaries of the Company until 9 May 2011 when the Company disposed all its interest in them.

SSHL alleged that Ms. Wong Yuen Yee and Mr. Wong Yao Wing had acted negligently and/or had breached their duties during their time as executives and directors of the Company, DEIL and IGML.

The substantive hearing of this case was adjourned sine die pursuant to the court order dated 15 April 2011, and currently there is no hearing listed for this case. This case remains dormant as at the date of approval of these consolidated financial statements.

The directors, based on legal advice, consider that the case does not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee was set up on 5 July 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee (the "AC") are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this annual report, the AC comprises of three members, Ms. Wong On Yee, Ms. Lu Di and Mrs. Kwan Leung, Anna, all are being independent non-executive Directors. The AC held four meetings during the year. The Group's audited results for the year ended 30 June 2012 have been reviewed by the AC, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The AC is chaired by Ms. Wong On Yee.

REMUNERATION COMMITTEE

A remuneration committee (the "RC") was set up in July 2008 with written terms of reference to oversee the RC policy and structure for all Directors and senior management. As of the date of this annual report, the RC comprised three members, namely Mr. Ang Wing Fung, being an executive Director, Ms. Wong On Yee and Ms. Lu Di, all being independent non-executive Directors. The role and function of the RC include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors. The RC is chaired by Mr. Ang Wing Fung.

NOMINATION COMMITTEE

The nomination committee (the "NC") was set up on 18 January 2012 with written terms of references to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. As at the date of this annual report, the NC comprised of three members, namely Mr. Chen Chuan, being an executive Director, Ms. Wong On Yee and Mrs. Kwan Leung, Anna, all being independent non-executive Directors. The role and function of the NC include to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive. The NC is chaired by Mr. Chen Chuan.

AUDITORS

Following the merger of business of CCIF CPA Limited with PCP CPA Limited ("PCP"), PCP resigned as auditors of the Company on 10 June 2010. Crowe Horwath (HK) CPA Limited ("Crowe Horwath") was appointed as auditors of the Company to fill the vacancy on 14 July 2010.

Crowe Horwath resigned as auditors of the Company on 29 June 2012. HLB Hodgson Impey Cheng Limited ("HLB") was appointed as the new auditors of the Company at the special general meeting of the Company held on 20 July 2012 to fill the vacancy arising from the resignation of Crowe Horwath and to hold office until the conclusion of the annual general meeting.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

A resolution will be proposed at the annual general meeting to re-appoint HLB as auditors of the Company.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkex.com.hk and on the website of the Company at www.it-holdings.com.hk.

On behalf of the Board
INNO-TECH HOLDINGS LIMITED
Chen Chuan
Chairman

Hong Kong, 21 September 2012

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance the performance of the Group.

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the CG Code throughout the year ended 30 June 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 (the "Securities Code") of the GEM Listing Rules. During the year ended 30 June 2012, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Securities Code.

BOARD OF DIRECTORS

At present, the Board of the Company comprises six members are as follows:

Executive Directors:

Mr. Chen Chuan
Mr. Ang Wing Fung

Independent non-executive Directors:

Ms. Wong On Yee
Ms. Lu Di
Mrs. Kwan Leung, Anna (appointed on 2 April 2012)
Ms. Au Yuk Kit (resigned on 2 April 2012)

Biographical details of each Director is set out in the section headed "Directors and Senior Management Profile" on pages 10 and 11 of this annual report.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The Company believes that it is headed by an effective Board, lead by Mr. Chen Chuan, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

BOARD OF DIRECTORS (continued)

The Board meets regularly on a quarterly basis. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the company secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Communication with key stakeholders, including Shareholders and regulatory bodies; and
- Recommendation to Shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, led by the chief executive officer, Mr. Ang Wing Fung.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates Shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Board has normally scheduled four regular meetings a year each at quarterly interval and meets as and when required. During the year ended 30 June 2012, the Board held 13 full board meetings and the attendance of each director is set out as follows:

Directors	Number of attendance
Mr. Chen Chuan	13/13
Mr. Ang Wing Fung	13/13
Ms. Wong On Yee	13/13
Ms. Lu Di	13/13
Mrs. Kwan Leung, Anna**	2/13
Ms. Au Yuk Kit *	11/13

** Independent Non-executive Director resigned during the year.*
*** Independent Non-executive Director appointed during the year.*

BOARD OF DIRECTORS (continued)

The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. During the year, the Company fully complied with Rules 5.14 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure the compliance with the new CG Code, the role of the Chairman and Chief Executive Officer of the Company has been segregated. Currently, the Chairman and Chief Executive Officer of the Company is Mr. Chen Chuan and Mr. Ang Wing Fung respectively.

The Chairman's and the Chief Executive Officer's responsibility is to manage the Board and the Group's day-to-day business, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, namely Ms. Wong On Yee, Ms. Lu Di and Mrs. Kwan Leung, Anna respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the retirement by rotation and re-election of Directors in the Bye-laws of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting.

APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of two years subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company. In the case of Mr. Chen Chuan, his service term commenced on 19 January 2011; in the case of Mr. Ang Wing Fung, his service term commenced on 19 February 2010 and renew on 19 February 2012.

Each of the independent non-executive Directors was appointed for a specific term of two years, subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company. In the case of Ms. Wong On Yee, her appointment term commenced on 1 April 2010 and renew on 1 April 2012; in the case of Ms. Lu Di, her appointment term commenced on 15 December 2010; and in the case of Mrs. Kwan Leung, Anna, her appointment term commenced on 2 April 2012.

APPOINTMENT, RE-ELECTION AND REMOVAL (continued)

In accordance with the articles of association of the Company, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

None of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

BOARD COMMITTEE

The Board has established three committees, namely audit committee, nomination committee and remuneration committee, to oversee particular aspects of the Company's affairs. Their respective terms of reference are set out in the Company's website.

AUDIT COMMITTEE

The audit committee (the "AC") of the Company comprises all independent non-executive Directors and headed by Ms. Wong On Yee. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half-yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with connected persons (as if any).

Details of the attendance of the AC meetings are as follows during the current year ended under reviewed:

Name of members	Number of attendance
Ms. Wong On Yee*	4/4
Ms. Lu Di*	4/4
Mrs. Kwan Leung, Anna*	1/4
Ms. Au Yuk Kit**	3/4

* *Existing Independent Non-executive Directors*
** *Independent Non-executive Director resigned during the year*

NOMINATION COMMITTEE

The nomination committee (the "NC") was set up on 18 January 2012 with written terms of references to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The NC is chaired by Mr. Chen Chuan, being Chairman of the Board, and two other members, Ms. Wong On Yee and Mrs. Kwan Leung, Anna, are all being independent non-executive Director. The role and function of the NC include to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors.

Details of the attendance of the NC meetings are as follows during the current year ended under reviewed:

Name of members	Number of attendance
Mr. Chen Chuan	1/1
Ms. Wong On Yee*	1/1
Mrs. Kwan Leung, Anna*	0/1
Ms. Au Yuk Kit**	1/1

* *Existing Independent Non-executive Directors*

** *Independent Non-executive Director resigned during the year*

REMUNERATION COMMITTEE

The remuneration committee (the "RC") was established in July 2008 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC is chaired by Mr. Ang Wing Fung, being executive Director, and two other members, namely, Ms. Wong On Yee and Ms. Lu Di, all are being independent non-executive Directors. The role of the RC is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

The remuneration package for executive Directors comprises a basic salary and a performance related bonus for their contributions in according to the CG Code B.1.2(c)(ii). All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors' remuneration are set out in note 11 to the financial statements in this annual report.

The Company has conditionally adopted the Share Option Scheme (the "Scheme") on 5 July 2002. The purpose of the Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

REMUNERATION COMMITTEE (continued)

Details of the attendance of the RC meetings are as follows during the current year ended under reviewed:

Name of members	Number of attendance
Mr. Ang Wing Fung	2/2
Ms. Wong On Yee*	2/2
Ms. Lu Di*	2/2

** Existing Independent Non-executive Directors*

AUDITORS' REMUNERATION

During the year under review, the remunerations paid/payable to the Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB") and other audit firms are set out below:

	Fee paid/payable HK$'000
Services rendered by HLB	
Audit services	750
Non-audit services	–
	750
Services rendered by other audit firms	
Audit services	–
Non-audit services	2,732
	2,732

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 26 to 27 of this annual report.

INTERNAL CONTROL

The Board has conducted annual review on the system of internal control of the Group and its effectiveness covering the financial, operational, compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets.

COMPANY SECRETARY

As at 30 June 2012, the company secretary of the Company (the "Company Secretary") is Mr. Tse Wing York (the "Mr. Tse") and a written confirmation had been received by the Company from Mr. Tse to confirm he took not less than 15 hours of relevant professional training during the current year ended under reviewed. The Company is on the view that Mr. Tse comply with the GEM Listing Rule of 5.15.

SHAREHOLDERS' RIGHT

In accordance with the Company's Bye-laws 58, members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office address at Room 606, 6th Floor MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company adheres to high standards with respect to the disclosure all necessary information to the Shareholders in compliance with GEM Listing Rules. The Company strengthens its communications with Shareholders through various channels including publication of interim and annual reports, press release and announcements of the latest development of the Company in its corporate website in a timely manner.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF INNO-TECH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Inno-Tech Holdings Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 134, which comprises the consolidated and Company statements of financial position as at 30 June 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 30 September 2011.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Hon Koon Fai Alex
Practising Certificate Number: P05029

Hong Kong, 21 September 2012

Consolidated Income Statement

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations			
Turnover	5	**48,283**	30,140
Cost of sales		**(53,980)**	(48,768)
Gross loss		**(5,697)**	(18,628)
Other revenue	6	**1,038**	2,281
Other net income	6	**12**	5,249
Marketing and promotion expenses		**(2,052)**	(2,849)
Administrative expenses		**(44,443)**	(38,665)
Finance costs	7	**(1,173)**	(7,632)
Share of loss of associates		**(5)**	(2)
Impairment loss on property, plant and equipment		**–**	(4,151)
Impairment loss on intangible assets		**–**	(12,941)
Changes in fair value of trading securities		**(6,865)**	(9,804)
Changes in fair value of derivative financial instruments		**(852)**	(1,533)
Loss on derecognition of associates	19	**(1,785)**	–
Change in fair value of purchase consideration payable		**7,594**	(979)
Loss before income tax	8	**(54,228)**	(89,654)
Income tax	9	**2,634**	3,902
Loss for the year from continuing operations		**(51,594)**	(85,752)
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	721
Loss for the year		**(51,594)**	(85,031)
Loss attributable to:			
Owners of the Company		**(47,160)**	(82,478)
Non-controlling interest		**(4,434)**	(2,553)
		(51,594)	(85,031)
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic (HK$ per share)	13	**(0.50)**	(1.93)
– Diluted (HK$ per share)	13	**(0.50)**	(1.93)
From continuing operations			
– Basic (HK$ per share)	13	**(0.50)**	(1.87)
– Diluted (HK$ per share)	13	**(0.50)**	(1.87)

The accompanying notes form an integral part of these consolidated financial statements.

	2012 HK$'000	2011 HK$'000
Loss for the year	**(51,594)**	(85,031)
Other comprehensive (loss)/income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**(27)**	(286)
Reclassification adjustment for realisation of exchange difference transferred to profit or loss upon disposal of interests in subsidiaries	–	88
Total comprehensive loss for the year	**(51,621)**	(85,229)
Total comprehensive loss attributable to:		
Owners of the Company	**(47,187)**	(82,676)
Non-controlling interest	**(4,434)**	(2,553)
	(51,621)	(85,229)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,929**	6,545
Intangible assets	16	**44,468**	59,108
Goodwill	17	**48,979**	48,979
Interests in associates	19	**–**	1,790
Available-for-sale financial asset	20	**78,000**	–
Deposit for acquisition of available-for-sale financial asset		**–**	20,000
		173,376	136,422
Current assets			
Trading securities	22	**39**	12,731
Accounts receivable	24	**4,837**	3,813
Prepayments, deposits and other receivables	25	**8,140**	5,527
Deposit for acquisition of a subsidiary	45(a)	**80,000**	–
Promissory notes receivable	26	**–**	38,700
Tax recoverable	33	**1,089**	–
Cash and cash equivalents	27	**4,419**	114,172
		98,524	174,943
Current liabilities			
Trade payables, accrued expenses and other payables	28	**39,944**	22,803
Purchase consideration payable	38	**4,454**	5,684
Borrowing	31	**4,400**	–
Convertible notes	32	**–**	4,241
Tax payable	33	**–**	318
		48,798	33,046

	Notes	2012 HK$'000	2011 HK$'000
Net current assets		**49,726**	141,897
Total assets less current liabilities		**223,102**	278,319
Non-current liabilities			
Deferred taxation	34	**11,117**	14,843
Purchase consideration payable	38	**–**	6,364
		11,117	21,207
Net assets		**211,985**	257,112
Equity			
Share capital	35	**95**	95
Reserves	37(a)	**206,661**	247,354
Equity attributable to owners of the Company		**206,756**	247,449
Non-controlling interest	37(a)	**5,229**	9,663
Total equity		**211,985**	257,112

The consolidated financial statements on pages 28 to 134 were approved and authorised for issue by the Board of Directors on 21 September 2012 and are signed on its behalf by:

Chen Chuan
Director

Ang Wing Fung
Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**533**	259
Interests in subsidiaries	18	**78,746**	96,291
		79,279	96,550
Current assets			
Prepayments, deposits and other receivables	25	**220**	2,116
Amounts due from subsidiaries	21(a)	**78,171**	85,974
Deposit for acquisition of a subsidiary	45(a)	**80,000**	–
Cash and cash equivalents	27	**838**	104,373
		159,229	192,463
Current liabilities			
Accrued expenses and other payables	28	**13,995**	4,466
Purchase consideration payable	38	**4,454**	5,684
Amount due to a subsidiary	21(b)	**9,390**	9,390
Borrowing	31	**4,400**	–
Convertible notes	32	**–**	4,241
		32,239	23,781
Net current assets		**126,990**	168,682
Total assets less current liabilities		**206,269**	265,232
Non-current liabilities			
Deferred taxation	34	**–**	66
Purchase consideration payable	38	**–**	6,364
		–	6,430
Net assets		**206,269**	258,802
Equity			
Share capital	35	**95**	95
Reserves	37(b)	**206,174**	258,707
Equity attributable to owners of the Company		**206,269**	258,802

The financial statements on pages 28 to 134 were approved and authorised for issue by the Board of Directors on 21 September 2012 and are signed on its behalf by:

Chen Chuan
Director

Ang Wing Fung
Director

The accompanying notes form an integral part of these financial statements.

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the company HK$'000	Non-controlling interest HK$'000	Total 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 year	–	–	–	–	–	–	–	(82,478)	(82,478)	(2,553)	(85,031)
Other comprehensive (loss)/income for the year:											
Exchange difference on consolidation	–	–	–	–	–	–	(286)	–	(286)	–	(286)
Reclassification adjustment upon disposal of subsidiaries (note 10)	–	–	–	–	–	–	88	–	88	–	88
Total comprehensive loss for the year	–	–	–	–	–	–	(198)	(82,478)	(82,676)	(2,553)	(85,229)
Issue of new shares on acquisition (note 38)	14,025	–	–	–	–	–	–	–	14,025	–	14,025
Issue of shares	46,460	236,670	–	–	–	–	–	–	283,130	–	283,130
Release upon disposal of subsidiaries (note 10)	–	–	–	–	–	–	–	–	–	(7,651)	(7,651)
Share issue costs	–	(10,895)	–	–	–	–	–	–	(10,895)	–	(10,895)
Redemption of convertible notes	–	–	–	(13,948)	–	–	–	12,018	(1,930)	–	(1,930)
Capital reorganisation	(134,593)	(504,779)	–	–	47,334	–	–	592,038	–	–	–
Acquisition of a subsidiary (note 38)	–	–	–	–	–	–	–	–	–	10,418	10,418
At 30 June 2011 and 1 July 2011	95	225,775	38,714	742	52,959	43	(419)	(70,460)	247,449	9,663	257,112
Loss for the year	–	–	–	–	–	–	–	(47,160)	(47,160)	(4,434)	(51,594)
Other comprehensive loss for the year:											
Exchange difference on consolidation	–	–	–	–	–	–	(27)	–	(27)	–	(27)
Total comprehensive loss for the year	–	–	–	–	–	–	(27)	(47,160)	(47,187)	(4,434)	(51,621)
Issue of convertible note upon acquisition of available-for-sale financial asset (note 32)	–	–	–	11,508	–	–	–	–	11,508	–	11,508
Deferred tax liability arising on convertible note	–	–	–	(1,014)	–	–	–	–	(1,014)	–	(1,014)
Redemption of convertible notes	–	–	–	(11,236)	–	–	–	7,236	(4,000)	–	(4,000)
At 30 June 2012	**95**	**225,775**	**38,714**	**–**	**52,959**	**43**	**(446)**	**(110,384)**	**206,756**	**5,229**	**211,985**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss for the year		**(51,594)**	(85,031)
Adjustments for:			
Income tax	9	**(2,634)**	(3,902)
Depreciation	15	**5,001**	7,490
Write-down of inventories	23	**238**	1,251
Impairment loss on other receivables		**431**	1,689
Amortisation of intangible assets	16	**14,640**	21,563
Gain on disposal of subsidiaries	10	**–**	(4,366)
Loss on derecognition of associates		**1,785**	–
Share of loss of associates		**5**	2
Interest income	6	**(21)**	(2,279)
Dividend income	6	**(12)**	–
Impairment loss on intangible assets	16	**–**	12,941
Impairment loss on property, plant and equipment	15	**–**	4,151
Changes in fair value of derivative financial instruments		**852**	1,533
Loss/(gain) on redemption of convertible notes		**4,873**	(5,040)
Loss on disposal of property, plant and equipment		**28**	27
Changes in fair value of trading securities		**6,865**	9,804
Finance costs	7	**1,173**	7,632
Change in fair value of purchase consideration payable		**(7,594)**	979
Written-off of other payables	6	**(347)**	–
Operating cash flows before movements in working capital		**(26,311)**	(31,556)
(Increase)/decrease in inventories		**(238)**	94
Increase in accounts receivable		**(1,024)**	(444)
Increase in prepayments, deposits and other receivables		**(3,044)**	(6,324)
Decrease in amounts due to directors		**–**	(194)
Increase in trade payables, accrued expenses and other payables		**17,398**	16,935
Cash used in operations		**(13,219)**	(21,489)
PRC tax paid		**(2,650)**	(111)
Net cash used in operating activities		**(15,869)**	(21,600)

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Decrease/(increase) in trading securities		**5,827**	(15,040)
Deposit paid for acquisition of available-for-sale financial asset		**–**	(20,000)
Payment for acquisition of available-for-sale financial asset		**(19,000)**	–
Deposit paid for acquisition of a subsidiary		**(80,000)**	–
Interest received		**21**	2
Dividend received		**12**	–
Payment for purchase of property, plant and equipment		**(409)**	(3,519)
Proceeds from disposals of property, plant and equipment		**–**	9
Net cash outflow on acquisition of subsidiaries	38	**–**	(29,794)
Net cash inflow on disposal of subsidiaries	10	**–**	13,832
Repayment of promissory notes receivable	26	**38,700**	2,150
Net cash used in investing activities		**(54,849)**	(52,360)
Cash flows from financing activities			
Proceeds from borrowing		**4,400**	–
Net proceeds from issue of new shares		**–**	272,235
Interest paid		**(4)**	(4)
Redemption of convertible notes		**(43,400)**	(94,121)
Net cash (used in)/generated from financing activities		**(39,004)**	178,110
Net (decrease)/increase in cash and cash equivalents		**(109,722)**	104,150
Effect of foreign exchange rate changes		**(31)**	(304)
Cash and cash equivalents at the beginning of the year		**114,172**	10,326
Cash and cash equivalents at the end of the year	27	**4,419**	114,172

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Inno-Tech Holdings Limited (the "Company") was incorporated in Bermuda on 19 November 2001 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 606, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong respectively.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 18.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") has been applied by the Group for the first time in the current year which are effective for the Group's financial year beginning 1 July 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

The application of these new and revised HKFRSs had no material effect on the results and financial position of the Group and the financial position of the Company for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not yet early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[1]
HKAS 19 (Revised in 2011)	Employee Benefits[3]
HKAS 27 (Revised in 2011)	Separate Financial Statements[3]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HKFRS (Amendments)	Annual Improvements 2009 – 2011 Cycle[3]
HKFRS 1 (Amendments)	Government Loan[3]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

1 Effective for annual periods beginning on or after 1 January 2012
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Hong Kong dollar is the Company's functional and presentation currency. These consolidated financial statements are presented in Hong Kong dollars ("HK$") rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the company even if this results in the non-controlling interests having a deficit balance.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 3(r), (t) or (v) depending on the nature of the liability.

In the Company's statement of financial position, investments in subsidiaries and amounts due from subsidiaries are carried at cost less impairment losses (see note 3(l)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and jointly controlled entities (continued)

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 3(e) and (l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, its investments in associates and jointly controlled entities are carried at cost less impairment losses (see note 3(l)). The results of the associates and jointly controlled entities are accounted by the Company on the basis of dividends received and receivable.

(f) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised 2008) are recognised at their fair values, except that:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the sharebased payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal Groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(h) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other investments in debt and equity securities (continued)

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the consolidated statement of financial position at amortised cost less impairment losses (see note 3(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 3(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investment is recognised in profit or loss in accordance with the policy set out in note 3w(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 3w(iii). When these investments are derecognised or impaired (see note 3(l)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(i) Property, plant and equipment

(i) Valuation

Property, plant and equipment are stated in the consolidated and company statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any (see note 3(l)).

Subsequent expenditure relating to a property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Equipment	5 years
Motor vehicle	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually.

(iii) Disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising from the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(j) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses (see note 3(l)).

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Patents and trademarks	15 years
Computer software	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Licenses	4 to 7 years

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Impairment of assets

(i) Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the debtor; or

– breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following items may be impaired or an impairment loss previously recognised no longer exists or may have been decreased:

– interests in subsidiaries and associates;

– property, plant and equipment;

– intangible assets; and,

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debt except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity. The fair value is measured at grant date using the Binomial Option Pricing Model and the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

(iii) The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Trade and other payables

Trade and other payables are initially measured at fair value and thereafter stated at amortised cost, except for short-term payable with no stated interest rate and the effect of discounting being immaterial that are measured at their original invoice amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(s)(iii).

(ii) Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(iii) Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability components of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Convertible notes (continued)

(i) Convertible notes that contain an equity component (continued)

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to accumulated losses.

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 3(u)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 3(u). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(u) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on the remeasurement of fair value is recognised immediately in profit or loss.

(v) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised costs with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is recognised in the profit or loss as follows:

(i) Residential intranet and software application design services

Revenue arising from the provision of residential intranet and software application design services is recognised when the underlying services are rendered, which is estimated by apportionment over the expected duration of each engagement, and the outcome of the contract can be estimated with reasonable certainty.

(ii) Outdoor media advertising service

Revenue from outdoor adverting spaces is recognised on a time proportion basis over the terms of the agreements.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend income

Dividend income from securities and other investments is recognised when the right to receive payment is established.

(x) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Promissory notes

Promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(z) Related parties

Parties are considered to be related to the Group if:

(1) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(2) An entity is related to the Group if any of the following condition applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsorship employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Foreign currencies

The financial statements are presented in Hong Kong Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are readily apparent from other sources. The estimates, judgments and associated assumptions are continually evaluated and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Allowances of bad debts

Significant judgment is exercised in the assessment of the collectability of accounts receivable from each customer. In making its judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment trend including subsequent payments and customers' financial position.

(ii) Valuation of share options

The Binominal Option Pricing Model and Black-Scholes Option Pricing Model were applied to estimate the fair value of share options granted by the Company and certain of its subsidiaries. These pricing models require the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(iii) Derivative financial instruments

The directors of the Company use their judgment in selecting an appropriate valuation technique to determine the fair value of embedded conversion option and call option of the convertible notes. Valuation techniques commonly used by market practitioners are applied. The fair values of convertible note are determined by the Monte-Carlo Simulation Method that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in note 32.

(iv) Impairment

In considering the impairment losses that may be required for the Group's other intangible assets and property, plant and equipment, recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs. Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit-worthiness and past collection history of each individual customer. An increase or decrease in the above impairment losses would affect the net profit of the Group in future years.

(v) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with HKAS 36 *Impairment of Assets* ("HKAS 36"). The calculations of recoverable amounts of cash-generating units require the use of estimates. Had the pre-tax discount rate, revenue growth rate and terminal growth rate applied to the discounted cash flow been different from the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 17.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(vi) Estimate of the contingent consideration payable based on post-acquisition performance of the subsidiary

In connection with the acquisition of a subsidiary, the contingent consideration payable is based on post-acquisition performance of the subsidiary and other marketing conditions, details of which are set out in note 38(v).

5. 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 ("PRC"). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Income from design of residential intranet, provision of home-automation services and trading of related products	**5,394**	1,103
Income from outdoor advertising operations	**42,889**	29,037
	48,283	30,140

6. OTHER REVENUE AND OTHER NET INCOME

	2012 HK$'000	2011 HK$'000
Continuing operations		
Other revenue		
Bank interest income	21	2
Interest income on promissory notes (note 26)	–	2,277
Total interest income on financial assets not at fair value through profit or loss	21	2,279
Written-off of other payables	347	–
Sundry income	670	2
	1,038	2,281
Other net income		
Net foreign exchange gain	–	209
Gain on redemption of convertible notes	–	5,040
Dividend income	12	–
	12	5,249

7. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest on:		
Bank loans and overdrafts wholly repayable within five years	4	4
Other borrowing wholly repayable within five years	90	–
Interest on convertible notes (note 32)	1,079	7,628
Total interest expense on financial liabilities not at fair value through profit or loss	1,173	7,632

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2012 HK$'000	2011 HK$'000
Continuing operations		
(a) Staff cost (including directors' emolument):		
Contributions to defined contributed plan	523	458
Salaries, wages and other benefits	6,350	9,485
	6,873	9,943
Number of employees	42	60
(b) Other items		
Cost of inventories sold	3,824	1,800
Amortisation of intangible assets	14,640	21,563
Auditors' remuneration	750	910
Net foreign exchange loss/(gain)	391	(209)
Depreciation on property, plant and equipment	5,001	7,221
Operating lease charges in respect of office premises	762	1,477
Impairment loss on property, plant and equipment	–	4,151
Impairment loss on other receivables	431	1,212
Impairment loss on intangible assets	–	12,941
Changes in fair value of trading securities	6,865	9,804
Changes in fair value of derivative financial instruments	852	1,533
Changes in fair value of purchase consideration payable	(7,594)	979
Loss on derecognition of associates	1,785	–
Loss on disposal of property, plant and equipment	28	3
Loss on redemption of convertible notes	4,873	–

The cost of sales includes write-down of inventories of HK$238,000 (2011: HK$1,251,000), direct cost for the outdoor advertising operations of approximately HK$35,168,000 (2011: HK$25,300,000) and aggregate employee benefits expense, amortisation of intangible assets and operating lease charges in respect of office premises of approximately HK$14,988,000 (2011: HK$21,668,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

9. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Current tax (note 33)		
PRC enterprise income tax	**1,243**	429
Deferred tax (note 34)		
Current year	**(3,877)**	(4,331)
Tax credit for the year	**(2,634)**	(3,902)

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 year (2011: HK$ Nil).

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25% on its 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 22% for the year from 1 January 2011 to 31 December 2011, 24% for the year from 1 January 2012 to 31 December 2012 and 25% for the year from 1 January 2013 to 31 December 2013.

9. INCOME TAX (continued)

(b) The tax credit for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	2012 HK$'000	%	2011 HK$'000	%
Loss before income tax (from continuing operations)	(54,228)		(89,654)	
Notional tax on loss before income tax, calculated at rates applicable to profits in the countries concerned	(7,705)	(14.2)	(14,801)	(16.5)
Tax effect of expenses not deductible for tax purposes	13,416	24.7	7,167	8.0
Tax effect of income not taxable for tax purposes	(13,518)	(24.9)	(3,687)	(4.1)
Utilisation of tax losses previously not recognised	–	–	(237)	(0.3)
Tax effect of tax losses not recognised	5,173	9.5	2,443	2.7
Reversal of previously recognised deferred tax asset	–	–	4,866	5.4
Others	–	–	347	0.4
Income tax credit and effective tax rate for the year	(2,634)	(4.9)	(3,902)	(4.4)

For the year ended 30 June 2012 and 2011, the Group did not have any share of tax attributable to associates included in "share of loss of associates" in the consolidated income statement.

10. DISCONTINUED OPERATIONS

On 7 October 2010, the Company and the purchaser entered into an agreement pursuant to which the Company agreed to sell and the purchaser agreed to acquire the entire issued share capital of Inno Gold Mining Limited ("Inno Gold") and the shareholder's loan made by the Group to Inno Gold at an aggregate consideration of HK$15,000,000. The disposal was completed on 9 May 2011.

Inno Gold was engaged in the business of operating gold mines, mineral flotation and excavation in the PRC through its subsidiaries.

10. DISCONTINUED OPERATIONS (continued)

(i) The results of the discontinued operations included in the consolidated income statement and consolidated statement of cash flows up to the date of disposals are set out below:

2011

	HK$'000
Turnover	–
Cost of sales and services	(97)
Gross loss	(97)
Other revenue	237
Marketing and promotion expenses	(609)
Administrative expenses	(3,174)
Loss before income tax	(3,643)
Income tax	(2)
Loss for the year	(3,645)
Gain on disposal of subsidiaries	4,366
Profit for the year from discontinued operations	721
Profit attributable to:	
Owners of the Company (note 13)	2,519
Non-controlling interests	(1,798)
	721
Loss for the year from discontinued operations included the followings:	
Auditors' remuneration	19
Depreciation	269
Operating lease charge in respect of office premises	214
Staff costs	838
Loss on disposal of property, plant and equipment	24
Impairment loss on other receivables (note 25)	477
Cash flows from discontinued operations	
Net cash flows used in operating activities	(1,360)
Net cash flows used in investing activities	(3,017)
Net cash flows generated from financing activities	5,557
Net cash inflow	1,180

10. DISCONTINUED OPERATIONS (continued)

(ii) Analysis of assets and liabilities of the discontinued operations undertaken by Inno Gold at the date of disposal on 9 May 2011 was as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment (note 15)	5,571
Intangible assets (note 16)	41,913
Inventories	192
Prepayment, deposits and other receivables	1,809
Cash and cash equivalents	1,168
Trade payables	(32,456)
Shareholder's loan	(3,531)
Net assets	14,666
Non-controlling interests	(7,651)
	7,015
Release of cumulative exchange differences on translation of foreign operations	88
Assignment of shareholder's loan	3,531
Gain on disposal of subsidiaries	4,366
	15,000
Satisfied by:	
Cash received	15,000
Analysis of net cash inflow in respect of disposal of subsidiaries	
Cash received	15,000
Cash and cash equivalents disposed of	(1,168)
Net cash inflow on disposal	13,832

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	2012 HK$'000	2011 HK$'000
Fees	360	360
Basic salaries, allowances and other benefits	1,064	1,995
Retirement scheme contributions	12	26
	1,436	2,381
Number of directors	6	9

The emoluments of directors for the year ended 30 June 2012 are set out below:

Name of director	Fees HK$'000	Salary, allowance and other benefits HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Ang Wing Fung	–	644	–	12	656
Mr. Chen Chuan	–	420	–	–	420
Independent non-executive directors					
Ms. Au Yuk Kit (g)	90	–	–	–	90
Ms. Lu Di	120	–	–	–	120
Ms. Wong On Yee	120	–	–	–	120
Mrs. Kwan Leung, Anna (h)	30	–	–	–	30
	360	1,064	–	12	1,436

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Directors' emoluments (continued)

The emoluments of directors for the year ended 30 June 2011 are set out below:

Name of director	Fees HK$'000	Salary, allowance and other benefits HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Ang Wing Fung	–	447	–	12	459
Mr. Chen Chuan (a)	–	50	–	–	50
Mr. Wong Yao Wing, Robert (b)	–	770	–	7	777
Ms. Wong Yuen Yee (c)	–	728	–	7	735
Independent non-executive directors					
Ms. Au Yuk Kit (g)	110	–	–	–	110
Mr. Cheng King Hung (e)	10	–	–	–	10
Mr. Chu Woon Yuen (f)	50	–	–	–	50
Ms. Lu Di (d)	70	–	–	–	70
Ms. Wong On Yee	120	–	–	–	120
	360	1,995	–	26	2,381

Notes:

(a) Mr. Chen Chuan was appointed on 19 January 2011
(b) Mr. Wong Yao Wing, Robert resigned on 31 January 2011
(c) Ms. Wong Yuen Yee resigned on 19 January 2011
(d) Ms. Lu Di was appointed on 15 December 2010
(e) Mr. Cheng King Hung resigned on 2 August 2010
(f) Mr. Chu Woon Yuen resigned on 15 December 2010
(g) Ms. Au Yuk Kit was appointed on 2 August 2010 and resigned on 2 April 2012
(h) Mrs. Kwan Leung Anna was appointed on 2 April 2012

The directors held share options under the Company's share option schemes. The details of the share options are disclosed under the paragraph "share option schemes" in the report of the directors and note 36.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2011: HK$ nil).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Individuals with highest emoluments

The aggregate of the emoluments in respect of the five individuals of highest emoluments (including directors) are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, allowances and other benefits	**2,263**	3,511
Retirement scheme contributions	**24**	50
	2,287	3,561

During the years ended 30 June 2012 and 2011, no emoluments were paid by the Group to the five individuals with highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

The five individuals whose emoluments were the highest in the Group for the year include two (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: two) individuals during the year are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, allowances and other benefits	**1,199**	1,566
Retirement scheme contributions	**12**	24
	1,211	1,590

The emoluments of the three (2011: two) individual with the highest emolument fall within the following bands:

	Number of individual	
	2012	2011
Emoluments band		
HK$ Nil – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	1

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$24,635,000 (2011: loss of HK$34,608,000) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(47,160)**	(82,478)
Number of shares		
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**95,062**	42,657

The basic and diluted loss per share are the same for years ended 30 June 2012 and 2011 respectively, as the effects of the share options, convertible notes and contingently issuable shares outstanding as at 30 June 2012 and 2011 would be anti-dilutive and were not included in the calculation of diluted loss per share.

13. LOSS PER SHARE (continued)

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2012	2011
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(47,160)**	(82,478)
Less:		
Profit for the year from discontinued operations (note 10)	**–**	2,519
Loss for the purpose of basic and diluted loss per share from continuing operations	**(47,160)**	(79,959)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**95,062**	42,657

The basic and diluted loss per share from continuing operations are the same for years ended 30 June 2012 and 2011 respectively, as the effects of the share options, convertible notes and contingently issuable shares outstanding as at 30 June 2012 and 2011 were anti-dilutive and were not included in the calculation of diluted loss per share.

From discontinued operations

For the year ended 30 June 2011, basic earnings per share from discontinued operations is HK$0.059 per share based on the profit for the year from the discontinued operations of HK$2,519,000 and the denominators detailed above.

For the year ended 30 June 2011, diluted earnings per share from discontinued operations is the same as basic earnings per share from discontinued operations as the effects of the share options, convertible notes and contingently issuable shares were anti-dilutive.

14. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment.

The Group has the following continuing operating segments during the year. These segments are managed separately. No operating segments have been aggregated to form the following reportable segments.

(1) Intelligent system: The development and sale of intelligent home electronic application system in the PRC

(2) Outdoor advertising: Outdoor advertising operations in the PRC

In prior years, the Group was involved in following segment which was discontinued during the year ended 30 June 2011. The segment information does not include any amounts for this discontinued operation.

(3) Gold mining: Mining and processing of gold mines

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of central administration costs (e.g. directors' emoluments, share of loss of associates and finance costs). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation (credit)/charge is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the profit or loss.

All assets are allocated to reportable segments other than interest in associates, deposit for acquisition of a subsidiary, available-for-sale financial asset, trading securities, promissory notes receivable and unallocated corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than borrowing, deferred tax liabilities and convertible notes. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

14. SEGMENT INFORMATION (continued)

Continuing operations

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

	Intelligent system		Outdoor advertising		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from external customers	**5,394**	1,103	**42,889**	29,037	**48,283**	30,140
Reportable segment loss before income tax	**(7,173)**	(42,082)	**(12,962)**	(14,302)	**(20,135)**	(56,384)
Depreciation and amortisation	**(4,630)**	(16,572)	**(14,815)**	(12,112)	**(19,445)**	(28,684)
Other material non-cash items:						
– Impairment loss on property, plant and equipment	**–**	(4,151)	**–**	–	**–**	(4,151)
– Impairment loss on intangible assets	**–**	(12,941)	**–**	–	**–**	(12,941)
– Write-down of inventories	**(238)**	(1,251)	**–**	–	**(238)**	(1,251)
Reportable segment assets	**1,838**	12,366	**109,925**	116,670	**111,763**	129,036
Reportable segment liabilities	**13,458**	13,418	**12,617**	5,141	**26,075**	18,559
Additions to non-current assets	**–**	7	**409**	71,439	**409**	71,446

14. SEGMENT INFORMATION (continued)

Continuing operations (continued)

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

	2012 HK$'000	2011 HK$'000
Continuing operations		
Revenue		
Total reportable segment revenues	**48,283**	30,140
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**48,283**	30,140
Loss		
Reportable segment loss derived from Group's external customers	**(20,135)**	(56,384)
Share of loss of associates	**(5)**	(2)
Loss on derecognition of associates	**(1,785)**	–
Other revenue and other net income	**1,050**	7,317
Finance costs	**(1,079)**	(7,628)
Unallocated head office and corporate expenses	**(32,274)**	(32,957)
Loss before income tax	**(54,228)**	(89,654)
Assets		
Total reportable segment assets	**111,763**	129,036
Elimination of inter-segment receivables	**–**	–
	111,763	129,036
Interests in associates (accounted by the equity method) (note 19)	**–**	1,790
Available-for-sale financial asset (note 20)	**78,000**	–
Trading securities (note 22)	**39**	12,731
Promissory notes receivable (note 26)	**–**	38,700
Unallocated corporate assets	**82,098**	129,108
Consolidated total assets	**271,900**	311,365

14. SEGMENT INFORMATION (continued)

Continuing operations (continued)

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

	2012 HK$'000	2011 HK$'000
Liabilities		
Total reportable segment liabilities	**26,075**	18,559
Elimination of inter-segment payables	**–**	–
	26,075	18,559
Borrowing (note 31)	**4,400**	–
Deferred tax liabilities (note 34)	**11,117**	14,843
Convertible notes (note 32)	**–**	4,241
Unallocated corporate liabilities	**18,323**	16,610
Consolidated total liabilities	**59,915**	54,253

Note: Interests in associates, deposit for acquisition of a subsidiary, available-for-sale financial asset, trading securities, promissory notes receivable are not included in the measure of segment assets and borrowing, deferred tax liabilities and convertible notes are not included in the measure of segment liabilities but are regularly provided to the CODM.

(c) Geographical information

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

(d) Information about major customers

For the year ended 30 June 2012 and 2011, there was no customer accounted for over 10% of total revenue.

15. PROPERTY, PLANT AND EQUIPMENT

	The Group						
	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment HK$'000	Motor vehicle HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 July 2010	1,084	1,424	513	40,771	1,002	2,236	47,030
Additions through acquisition of a subsidiary (note 38)	–	–	187	–	134	–	321
Additions	–	65	50	590	6	2,808	3,519
Transfer to intangible assets (note 16)	232	–	–	–	–	(2,292)	(2,060)
Derecognised on disposal of subsidiaries (note 10)	(1,395)	–	(77)	(1,501)	(460)	(2,857)	(6,290)
Disposals	–	–	(7)	(7)	(581)	–	(595)
Exchange differences	79	–	14	104	38	105	340
At 30 June 2011 and 1 July 2011	–	1,489	680	39,957	139	–	42,265
Additions	–	–	389	20	–	–	409
Disposals	–	–	–	(202)	–	–	(202)
Exchange differences	–	–	16	1	5	–	22
At 30 June 2012	**–**	**1,489**	**1,085**	**39,776**	**144**	**–**	**42,494**
Accumulated depreciation and impairment:							
At 1 July 2010	86	1,378	421	22,843	192	–	24,920
Charge for the year	91	54	107	7,048	190	–	7,490
Written back on disposals	–	–	(1)	(2)	(182)	–	(185)
Derecognised on disposal of subsidiaries (note 10)	(183)	–	(20)	(339)	(177)	–	(719)
Impairment	–	–	–	4,151	–	–	4,151
Exchange differences	6	–	8	20	29	–	63
At 30 June 2011 and 1 July 2011	–	1,432	515	33,721	52	–	35,720
Charge for the year	–	13	172	4,749	67	–	5,001
Disposals	–	–	–	(174)	–	–	(174)
Exchange differences	–	–	13	1	4	–	18
At 30 June 2012	**–**	**1,445**	**700**	**38,297**	**123**	**–**	**40,565**
Net book value:							
At 30 June 2012	**–**	**44**	**385**	**1,479**	**21**	**–**	**1,929**
At 30 June 2011	–	57	165	6,236	87	–	6,545

15. PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended 30 June 2011, the buildings situated in PRC under long-term lease were disposed of through disposal of subsidiaries.

Impairment of equipment

For the year ended 30 June 2011, as the result of the unsatisfactory performance of intelligent system business, the Group carried out a review of the recoverable amount of its related equipment. These assets are used in the Group's intelligent system reportable segment. The review led to the recognition of an impairment loss of HK$4,151,000 for equipment which have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 10%. The impairment losses have been included in the consolidated income statement.

	The Company		
	Furniture and fixtures HK$'000	Equipment HK$'000	Total HK$'000
Cost:			
At 1 July 2010	–	–	–
Additions	–	305	305
At 30 June 2011 and 1 July 2011	–	305	305
Additions	389	12	401
At 30 June 2012	**389**	**317**	**706**
Accumulated depreciation:			
At 1 July 2010	–	–	–
Charge for the year	–	46	46
At 30 June 2011 and 1 July 2011	–	46	46
Charge for the year	64	63	127
At 30 June 2012	**64**	**109**	**173**
Net book value:			
At 30 June 2012	**325**	**208**	**533**
At 30 June 2011	–	259	259

16. INTANGIBLE ASSETS

	The Group				
	Licenses HK$'000	Patents and trademarks HK$'000	Computer software HK$'000	Mining right HK$'000	Total HK$'000
Cost:					
At 1 July 2010	–	3,225	74,905	213,909	292,039
Addition through acquisition of a subsidiary (note 38)	71,085	–	–	–	71,085
Transfer from property, plant and equipment (note 15)	–	–	–	2,060	2,060
Derecognised on disposal of subsidiaries (note 10)	–	–	–	(216,113)	(216,113)
Exchange differences	–	–	–	144	144
At 30 June 2011, 1 July 2011 and 30 June 2012	**71,085**	**3,225**	**74,905**	**–**	**149,215**
Accumulated amortisation and impairment:					
At 1 July 2010	–	1,998	53,605	174,200	229,803
Amortise for the year	11,977	132	9,454	–	21,563
Derecognised on disposal of subsidiaries (note 10)	–	–	–	(174,200)	(174,200)
Impairment	–	1,095	11,846	–	12,941
At 30 June 2011 and 1 July 2011	11,977	3,225	74,905	–	90,107
Amortise for the year	14,640	–	–	–	14,640
At 30 June 2012	**26,617**	**3,225**	**74,905**	**–**	**104,747**
Net book value:					
At 30 June 2012	**44,468**	**–**	**–**	**–**	**44,468**
At 30 June 2011	59,108	–	–	–	59,108

The amortisation for the year is included in "cost of sales" in the consolidated income statement.

16. INTANGIBLE ASSETS (continued)

Impairment of computer software and patents and trademarks during the year ended 30 June 2011

During the year ended 30 June 2011, as the result of the unsatisfactory performance of intelligent system business, the Group carried out a review of the recoverable amount of its related computer software and patents and trademarks. These assets are used in the Group's intelligent system reportable segment. The review led to the recognition of an impairment loss of approximately HK$11,846,000 for computer software and impairment loss of approximately HK$1,095,000 for patents and trademarks, which have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 10%. The impairment losses have been included in the consolidated income statement.

17. GOODWILL

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost:		
At the beginning of year	**48,979**	–
Acquisition of a subsidiary (note 38)	**–**	48,979
At the end of year	**48,979**	48,979
Impairment:		
At the beginning and at the end of year	**–**	–
Carrying amounts	**48,979**	48,979

17. GOODWILL (continued)

Goodwill during the year was allocated to the cash-generating unit ("CGU") outdoor advertising operations for impairment tests purpose. The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-years period, and a discount rate of 16.33% (2011: 14.73%) per annum. Cash flows beyond a five-years period approved by senior management have been extrapolated using a zero growth rate for an indefinite period. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The key assumptions used in the value in use calculations for outdoor advertising are as follows:

Budgeted market share and sales	Average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations in the industry. Management believes that the planned market share growth and budgeted sales over the budget period is reasonably achieveable.
Budgeted gross margin	Average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted investments, at cost	**96,291**	96,291
Less: Impairment loss recognised (note)	**(17,545)**	–
	78,746	96,291

Note:

Due to the prolonged poor financial performance of the subsidiaries, the carrying amounts of interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the value in use.

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 30 June 2012 are as follows:

Name of company	Place of incorporation	Proportion of voting power and percentage of equity: Group's effective interest	Held by the Company	Held by the subsidiary	Particulars of issued/ registered capital	Principal activity and place of operation
Cyberworks Technology Limited	Hong Kong	100%	–	100%	4 ordinary shares of HK$1 each	Provision of systems design and integration services in Hong Kong
匯創智能系統(深圳)有限公司 (note (i))	The PRC	100%	–	100%	Registered capital of HK$1,000,000	Development, production and sales of intelligent automation and and control systems in PRC
Superior Luck Investments Limited	The British Virgin Islands	100%	100%	–	1 ordinary share of US$1 each	Investment holding
Jade Phoenix Holdings Limited	The British Virgin Islands	100%	100%	–	1 ordinary share of US$1 each	Investment holding
Active Link Investments Limited	The British Virgin Islands	100%	100%	–	10,000 ordinary shares of US$1 each	Investment holding
Fast Team International Investment Limited	Hong Kong	100%	100%	–	1 ordinary share of HK$1 each	Investment holding
Super Venus Media International Limited	Hong Kong	100%	–	100%	10,000 ordinary shares of HK$1 each	Investment holding
石家莊市迅華德高公交廣告有限公司 (note (ii))	The PRC	80%	–	80%	Registered capital of RMB1,000,000	Design production and publication of outdoor advertisement in PRC
石家莊市恩健傳媒有限公司 (note (ii))	The PRC	100%	–	100%	Registered capital of RMB3,000,000	Design production and publication of outdoor advertisements in PRC

18. INTERESTS IN SUBSIDIARIES (continued)

Notes:

(i) Registered under the laws of the PRC as a wholly foreign owned enterprise.

(ii) Registered under the laws of the PRC as a limited liability company.

The above table lists the subsidiaries of the Company which, in the opinion of directors, principally affected the results or assets of the Group. To give the details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES

	The Group	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	–	4,920
Share of post-acquisition loss	–	(3,130)
	–	1,790

As at 30 June 2011, the Group had interests in the following associates:

			Proportion of voting power and percentage of equity				
Name of company	Form of business structure	Place of incorporation	Group's effective interest	Held by the Company	Held by the subsidiary	Particulars of issued capital	Principal activity and place of operation
Grace Pond Limited	Incorporated	Hong Kong	49%	–	49%	1,000 shares of HK$1 each	Provision of software application consultancy services in Hong Kong
General Win Limited	Incorporated	Hong Kong	49%	–	49%	1,000 shares of HK$1 each	Provision of software application consultancy services in Hong Kong

19. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's associates is set out below:

	The Group	
	2012	2011
	HK$'000	HK$'000
Assets	**–**	3,910
Liabilities	**–**	(257)
Revenues	**–**	–
Loss after tax	**(10)**	(5)

On 15 June 2012, Cyberweb Services Limited, a company that held interests in Grace Pond Limited and General Win Limited (the "associates"), was deregistered pursuant to the approval of the Company Registry of the Government of Hong Kong Special Administrative Region. Therefore, the Group derecognised all of its interests in associates on that date. The derecognition of interests in associates have been recognised in profit or loss and calculated as follows:

	The Group
	HK$'000
Proceeds of derecognition	–
Less: Carrying amount of the investment on the date of loss of significant influence	**(1,785)**
Loss recognised	**(1,785)**

20. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2012	2011
	HK$'000	HK$'000
Available-for-sale financial asset comprise:		
Unlisted investment, at cost		
– Equity securities	**78,000**	–
Analysed for reporting purposes as:		
Non-current assets	**78,000**	–

20. AVAILABLE-FOR-SALE FINANCIAL ASSET (continued)

On 18 February 2011, Superior Luck Investments Limited, a directly wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 19% of equity interests in China New Media (HK) Limited ("China New Media") at an aggregate consideration of HK$78,000,000, comprising cash of HK$39,000,000 and a convertible note with principal amount of HK$39,000,000. China New Media is principally engaged in outdoor advertising in Hong Kong, specialising in advertising spaces in lifts and outer walls of buildings. The transaction was completed on 13 July 2011.

The cost represented the sum of the cash consideration and the fair value of the convertible note at the acquisition date using the effective interest method. At the completion date of the transaction, the fair value of the consideration was approximately HK$78,000,000, comprising cash of HK$39,000,000 and a convertible note with a fair value of approximately HK$39,000,000.

The equity securities do not have a quoted market price in an active market and are stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be reliably measured.

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	The Company	
	2012	2011
	HK$'000	HK$'000
Amounts due from subsidiaries	**291,539**	495,485
Less: Impairment loss recognised	**(213,368)**	(409,511)
	78,171	85,974

The impairment as at 30 June 2012 includes impairment provision of approximately HK$213,368,000 (2011: HK$409,511,000) for amounts due from subsidiaries. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

Amounts due from subsidiaries are unsecured, interest-free and receivable on demand.

(b) Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

22. TRADING SECURITIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**39**	12,731

Trading securities are stated at fair values which are determined with reference to quoted market bid prices.

23. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**–**	–
Work in progress	**–**	–
Finished goods	**–**	–
	–	–

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost of inventories sold	**3,586**	549
Write-down of inventories	**238**	1,251
	3,824	1,800

24. ACCOUNTS RECEIVABLE

	The Group	
	2012	2011
	HK$'000	HK$'000
Trade debtors	**4,837**	3,667
Less: Allowance for doubtful debts	**–**	–
	4,837	3,667
Receivable from associates	**–**	146
	4,837	3,813

Receivable from associates are unsecured, interest-free and receivable on demand.

(a) Ageing analysis

Included in accounts receivable are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2012	2011
	HK$'000	HK$'000
Current	**3,590**	2,710
Less than 1 month past due	**436**	903
1 to 3 months past due	**25**	–
Over 3 months past due	**786**	54
	4,837	3,667

The Group's trading terms with customers are mainly on credit. The credit period is generally from nil to 120 days. No interest is charged on accounts receivable and the Group does not hold any collateral over these balances. Further details on the Group's credit policy are set out in note 40(d).

(b) Impairment of trade debtors

At 30 June 2012 and 2011, no trade debtor was individually determined to be impaired.

24. ACCOUNTS RECEIVABLE (continued)

(c) Trade debtors that are not impaired

The ageing analysis of the receivables that are past due but not impaired, along with receivables that are neither past due nor impaired, is as follows:

	2012 HK$'000	2011 HK$'000
Past-due but not impaired:		
– Less than 3 months past due	461	903
– Over 3 months past due	786	54
	1,247	957
Neither past due nor impaired	3,590	2,710
	4,837	3,667

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade debtors as at 30 June 2012 are debtors with an aggregate carrying amount of approximately HK$1,247,000 (2011: HK$957,000) which are past due but not impaired at the end of the reporting period, as the directors have assessed these debtors to be recoverable based on their good settlement track records with the Group. The Group does not hold any collateral over these balances.

Trade debtors that are neither past due nor impaired related to a number of independent customers who have no recent history of default. The Group does not hold any collateral over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Prepayments	**6,291**	1,012
Rental and utility deposits	**67**	210
Other deposits	**1,389**	3,267
Other receivables	**2,036**	2,250
	9,783	6,739
Less: Impairment loss on other receivables	**(1,643)**	(1,212)
	8,140	5,527

(a) Movements in the impairment loss on other receivables

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**1,212**	–
Impairment loss recognised	**431**	1,689
Disposal of subsidiaries (note 10)	**–**	(477)
At the end of the year	**1,643**	1,212

Impairment loss on other receivables of approximately HK$431,000 has been included in the consolidated income statement for the year ended 30 June 2012 (2011: HK$1,689,000). The debtors are either lost of contact or in financial difficulties of which the directors are in the opinion that the outstanding balances were not recoverable.

	The Company	
	2012	2011
	HK$'000	HK$'000
Prepayments	**153**	489
Rental and utility deposits	**67**	67
Other deposits	**–**	1,397
Other receivables	**–**	163
	220	2,116

26. PROMISSORY NOTES RECEIVABLE

	The Group	
	2012	2011
	HK$'000	HK$'000
Balance at the beginning of the year	**38,700**	38,573
Repayment	**(38,700)**	(2,150)
Interest credited (note 6)	**–**	2,277
Balance at the end of the year	**–**	38,700

On 3 May 2010, two promissory notes in the principal amounts of HK$2,150,000 and HK$38,700,000 were issued from an independent third party to the Group as part of the consideration for the disposal of Group's interest in Great China Media Holdings Limited.

The two promissory notes were guaranteed by the director of the note issuer, and were non-interest bearing. Promissory note of HK$2,150,000 was repaid during the year ended 30 June 2011.

The promissory note of HK$38,700,000 matured on 3 May 2011 was fully settled on 27 September 2011.

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**4,419**	114,172	**838**	104,373

At the end of the reporting period, the cash and bank balances of the Group, which are denominated in Renminbi ("RMB"), amounted to approximately HK$3,173,000 (2011: HK$2,224,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

The interest rates on the cash at bank and deposits with banks ranged from 0.01% to 0.4% per annum (2011: from 0.01% to 0.5% per annum).

28. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**539**	1,054	**–**	–
Accrued expenses and other payables	**37,352**	21,031	**13,995**	4,466
Receipts in advance	**2,053**	718	**–**	–
	39,944	22,803	**13,995**	4,466

The following is an ageing analysis of trade payables presented based on invoice date as at the end of the reporting period:

	The Group	
	2012	2011
	HK$'000	HK$'000
Less than 1 month	**28**	122
1 to 3 months	**–**	26
Over 3 months	**511**	906
	539	1,054

29. RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees with their assets held separately from those of the employer. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 before 1 June 2012, and HK$25,000 with effect from 1 June 2012. Contributions to the scheme vest immediately.

The Group also participates in a state-managed retirement benefit scheme for its PRC employees. The Group contributes on a monthly basis to various defined contribution retirement benefit plans and the Group has no further obligation beyond the contributions made.

30. LONG SERVICE PAYMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Included in accrued expenses and other payables are the following long services payments payable:		
Balance at the beginning of the year	**233**	233
Reversed during the year	**(233)**	–
Balance at the end of the year	**–**	233

Under the Hong Kong Employment Ordinance, an entity is required to make long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. However, where an employment is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

31. BORROWING

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Other loan	**4,400**	–
Unsecured	**4,400**	–
Carrying amount repayable:		
Within one year	**4,400**	–

During the year, the Group obtained new borrowing in the amount of HK$4,400,000 (2011: HK$ nil). The borrowing is unsecured, bears interest at 3% per annum and is repayable on 26 October 2012.

32. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

The movement of the liability component of the convertible notes for the year is set out below:

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Liability component at the beginning of the year	**4,241**	66,752
Issue of convertible note	**32,855**	20,373
Early redemption	**(33,775)**	(90,512)
Redemption on maturity	**(4,400)**	–
Interest charged (note 7)	**1,079**	7,628
Liability component at the end of the year	**–**	4,241
Less: Amount due within one year shown under current liabilities	**–**	(4,241)
Amount due after one year	**–**	–

HK$75,000,000 Convertible Note due 2011

On 27 October 2009, the Company issued 2-years HK$75,000,000 unsecured and non-interest-bearing convertible note. Subsequent to capital reorganisation and a rights issue (see note 35), the holders of convertible note have the option to convert the note into ordinary shares of the Company of HK$0.001 each at a conversion price of HK$20.14, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 27 October 2009, the issue date, up to and excluding the fifth business day immediately before 27 October 2011, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date.

The convertible note was split between liability and equity components of approximately HK$59,816,000 and HK$15,184,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component.

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 11.97% to the liability component.

During the year ended 30 June 2011, part of the convertible note of face value of approximately HK$56,800,000 was early redeemed as follows:

On 31 January 2011, part of the convertible note was early redeemed by the Company. A gain of approximately HK$460,000 derived from the early redemption of the convertible note calculated as the difference between the carrying amount of the liability component of approximately HK$23,001,000 and fair value of approximately HK$22,541,000 was recognised in profit or loss.

32. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (continued)

HK$75,000,000 Convertible Note due 2011 (continued)

On 21 June 2011, part of the convertible note was early redeemed by the Company. A gain of approximately HK$1,072,000 derived from the early redemption of the convertible note calculated as the difference between the carrying amount of the liability component of approximately HK$30,563,000 and its fair value of approximately HK$29,491,000 was recognised in profit or loss.

The Company redeemed the remaining balance of the convertible note of HK$4,400,000 on 27 October 2011, the maturity date of the convertible note.

Upon early redemption of the convertible note as mentioned above, the difference between the carrying amounts of the corresponding equity components as included in convertible notes reserve and the fair values of the equity components upon redemption was released to accumulated losses.

HK$43,384,000 Convertible Note due 2011

On 28 February 2009, the Company issued 2-years HK$43,384,000 unsecured and non-interest-bearing convertible note. Subsequent to the capital reorganisation and rights issue effective on 9 December 2010 and 12 January 2011 respectively (see note 35), the holders of convertible note have the option to convert the note into ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.319, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 28 February 2009, the issue date, up to and excluding the fifth business day immediately before 28 February 2011, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date.

The convertible note was split between liability and equity components of approximately HK$30,256,000 and HK$13,128,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component.

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 19.75% to the liability component.

The convertible notes were fully repaid upon maturity during the year ended 30 June 2011.

32. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (continued)

HK$25,560,000 Convertible Note due 2012

On 5 October 2010, the Company issued 2-years HK$25,560,000 unsecured and non-interest-bearing convertible note. Subsequent to capital reorganisation and rights issue effective on 9 December 2010 and 12 January 2011 respectively (see note 35), the holders of convertible note have the option to convert the note into ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.549, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 5 October 2010, the issue date, up to and excluding the business day immediately before 5 October 2012, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date.

The conversion price will be adjusted with effect from the date falling 6 months from the issue date to the effect that it shall be the average of the closing price per share of the Company for the last five stock exchange trading days on which dealings in the shares on the stock exchange took place, ending on such trading day last preceding the date falling from 6 months from the issue date. No adjustment on conversion had been made as the convertible note was fully settled before the price adjustment date.

The convertible note contains two components: a liability and embedded derivatives arising from (1) the call option and (2) the conversion option. The liability element is classified as current liabilities and carried at amortised cost using the effective interest method. The embedded derivative element is classified as current liabilities and carried at fair value.

For valuation of the conversion portion, Monte-Carlo Simulation Method was used. This technique estimates a probable outcome using multiple simulations with random variables. It is used to evaluate investments or financial derivatives by generating numerous probable investment scenarios that might occur in the future.

In valuing the call option, the Black-Scholes Option Pricing Model was used.

The liability component of the convertible note is recognised as the excess of proceeds over the amount initially recognised as the derivative component. The initial carrying amount of the liability component is the residual amount after separating the embedded derivatives.

The fair value of the liability component, call option and conversion option on initial recognition was estimated to be approximately as follows:

	HK$'000
Liability component	20,854
Call option	(481)
Conversion option	5,187
	25,560

32. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (continued)

HK$25,560,000 Convertible Note due 2012 (continued)

The inputs used for the calculation of the fair values of the conversion options were as follows:

	5/10/2010	31/1/2011
Share price	HK$0.099	HK$0.071
Conversion price	HK$0.160	HK$0.549
Risk-free rate	0.555%	0.466%
Expected dividend yield	0%	0%
Annualised volatility	100.769%	119.091%

The inputs used for the calculation of the fair values of the call options were as follows:

	5/10/2010	31/1/2011
Aggregate principal amount (stock price) (HK$)	25,560,000	25,560,000
Aggregate redemption amount (exercise price) (HK$)	25,560,000	25,560,000
Risk-free rate	0.556%	0.467%
Expected volatility	2.235%	1.797%

The movement of the liability component and embedded derivatives of the convertible note for the year is set out below:

	Liabilities component HK$'000	Derivative component Call option HK$'000	Derivative component Conversion option HK$'000	Derivative component Total HK$'000
Fair value on initial recognition	20,854	(481)	5,187	4,706
Interest expense charged for the year	698	–	–	–
Fair value change of embedded derivatives	–	149	1,384	1,533
Early redemption on 31 January 2011	(21,552)	332	(6,571)	(6,239)
At 30 June 2011	–	–	–	–

On 31 January 2011, the whole convertible note was early redeemed by the Company. A gain of approximately HK$3,508,000 was derived from the gain on early redemption of liability component of the convertible note which was derived from the difference between the carrying amount of liability component of approximately HK$21,552,000 and the fair value of liability component of approximately HK$18,044,000, such gain was charged to the profit or loss.

32. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (continued)

HK$39,000,000 Convertible Note due 2013

On 13 July 2011, the Company issued 18 months HK$39,000,000 unsecured and non-interest-bearing convertible note as partial settlement of acquisition of 19% issued share capital of China New Media. The holder of convertible note has the option to convert the note into ordinary shares of the Company of HK$0.001 each at a conversion price of HK$0.60, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 13 July 2011, the issue date, up to and excluding the business day immediately before 13 January 2013, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date.

The convertible note contains three components: liability component, equity component and embedded derivative arising from the call option. The liability element is classified as current liabilities and carried at amortised cost using the effective interest method. The embedded derivative element is classified as current liabilities and carried at fair value. The residual amount after recognising the liability component and embedded derivative at fair value are recognised as equity component.

In valuing the call option, the Binomial Option Pricing Model was used.

The fair value of the liability component, call option and equity component on initial recognition was estimated to be approximately as follows:

	HK$'000
Liability component	32,855
Call option	(5,363)
Equity component	11,508
	39,000

32. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (continued)

HK$39,000,000 Convertible Note due 2013 (continued)

The inputs used for the calculation of the fair values of the call options were as follows:

	13/7/2011	6/10/2011	13/10/2011
Time to maturity	1.51 years	1.27 years	1.25 years
Conversion price	HK$0.600	HK$0.600	HK$0.600
Risk-free rate	0.203%	0.200%	0.207%
Expected volatility	129.821%	139.673%	136.545%

The movement of the liability component and embedded derivative of the convertible note for the year is set out below:

	Liability component HK$'000	**Call option** HK$'000
Fair value on initial recognition	32,855	(5,363)
Interest expense charged for the year	884	–
Fair value change of embedded derivative	–	1,383
Early redemption on 6 October 2011	(17,302)	2,041
At 6 October 2011	16,437	(1,939)
Interest expense charged for the year	36	–
Fair value change of embedded derivative	–	(531)
Early redemption on 13 October 2011	(16,473)	2,470
At 30 June 2012	–	–

On 6 October 2011, part of the convertible note was early redeemed by the Company. A loss of approximately HK$2,236,000 derived from the early redemption of the convertible note calculated as the difference between the carrying amount of the liability component and embedded derivative of approximately HK$15,261,000 and fair value of approximately HK$17,497,000 was recognised in profit or loss.

On 13 October 2011, the remaining convertible note was early redeemed by the Company. A loss of approximately HK$2,637,000 was derived from the loss on early redemption of liability component of the convertible note which was derived from the difference between the carrying amount of liability component and embedded derivative of approximately HK$14,003,000 and the fair value of liability component of approximately HK$16,640,000 was recognised to the profit or loss.

33. INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

Current taxation in the statements of financial position represents:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax payable at the beginning of the year	**318**	–	**–**	–
Provision for the year				
– PRC enterprise income tax (note 9)	**1,243**	429	**–**	–
Tax paid				
– PRC enterprise income tax	**(2,650)**	(111)	**–**	–
Tax (recoverable)/payable at the end of the year	**(1,089)**	318	**–**	–

34. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the statements of financial position and the movements during the year are as follows:

The Group

	Tax loss	Accelerated depreciation allowances	Intangible assets	Convertible notes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax on temporary differences arising from:					
At 1 July 2010	(4,866)	4,866	–	1,403	1,403
Acquisition of subsidiaries (note 38)	–	–	17,771	–	17,771
Charged/(credited) to profit or loss (note 9(a))	4,866	(4,823)	(2,994)	(1,380)	(4,331)
At 30 June 2011 and 1 July 2011	–	43	14,777	23	14,843
Recognised directly in equity	–	–	–	1,014	1,014
Released on redemption of convertible note	–	–	–	(863)	(863)
Credited to profit or loss (note 9(a))	–	(43)	(3,660)	(174)	(3,877)
At 30 June 2012	**–**	**–**	**11,117**	**–**	**11,117**

34. DEFERRED TAXATION (continued)

The Company

	Accelerated depreciation allowance HK$'000	Convertible notes HK$'000	Total HK$'000
Deferred tax on temporary differences arising from:			
At 1 July 2010	–	1,403	1,403
Charged/(credited) to profit or loss	43	(1,380)	(1,337)
At 30 June 2011 and 1 July 2011	43	23	66
Recognised directly in equity	–	1,014	1,014
Released on redemption of convertible note	–	(863)	(863)
Credited to profit or loss	(43)	(174)	(217)
At 30 June 2012	**–**	**–**	**–**

At the end of the reporting period, the Group has unused tax losses of approximately HK$81,776,000 (2011: HK$54,892,000) available to offset against future profits. No deferred tax assets has been recognised in respect of the tax losses as at 30 June 2012 and 2011.

No deferred tax assets has been recognised in respect of the remaining tax losses of approximately HK$81,776,000 (2011: HK$54,892,000) due to unpredictability of future profit streams.

35. SHARE CAPITAL

Ordinary shares

	2012 HK$'000	2011 HK$'000
(a) **Authorised**		
300,000,000,000 shares of HK$0.001 each	**300,000**	300,000
Issued and fully paid		
95,062,123 shares of HK$0.001 each	**95**	95

35. SHARE CAPITAL (continued)

(b) A summary of the movements of the Company's issued share capital is as follows:

	Notes	Number of shares '000	Nominal value HK$'000
At 1 July 2010		742,032	74,203
Placement of shares	(i)	318,000	31,800
Issue of shares for acquisition (note 38)	(ii)	140,250	14,025
Capital reduction	(iii)	–	(118,828)
Share consolidation	(iii)	(1,080,254)	–
Rights issue	(iv)	1,200,282	12,003
Placement of shares	(v)	264,062	2,641
Capital reduction	(vi)	–	(15,765)
Share consolidation	(vi)	(1,505,154)	–
Placement of shares	(vii)	15,844	16
At 30 June 2011, 1 July 2011 and 30 June 2012		**95,062**	**95**

Notes:

(i) On 7 July 2010, the Company placed and issued 148,000,000 new ordinary shares at an issue price of HK$0.186 each.

On 12 October 2010, the Company placed and issued 170,000,000 new ordinary shares at an issue price of HK$0.10 each.

(ii) On 5 October 2010, the Company allotted and issued 140,250,000 new ordinary shares at an issue price of HK$0.1 each as part of the consideration for acquisition of the entire equity interest of Active Link Investments Limited (Note 38).

(iii) The Company's first capital reorganisation during the year 2011 (the "First Capital Reorganisation") was effective on 9 December 2010 which involved the followings:

– the issued share capital of the Company was reduced by canceling the paid up capital to the extent of HK$0.099 on each share such that the nominal value of all issued shares was reduced from HK$0.1 each to HK$0.001 each (the "Capital Reduction"). The reduction of issued share capital to the extent of HK$0.099 per share of HK$0.1 was applied to offset the accumulated losses of the Company;

– the authorised but unissued shares of HK$0.10 each in the share capital of the Company were subdivided into 100 subdivided shares of HK$0.001 each;

– every 10 issued and unissued subdivided shares with par value of HK$0.001 each was consolidated into one new share of HK$0.01 each (the" Share Consolidation");

– the entire amount standing to the credit of the share premium account of the Company was cancelled (the "Share Premium Cancellation"). The credit arising from the Capital Reduction and Share Premium Cancellation was transferred to the contributed surplus account and a sum of HK$504,779,000 therein was applied to set off against the total accumulated losses of the Company.

35. SHARE CAPITAL (continued)

(b) A summary of the movements of the Company's issued share capital is as follows: (continued)

Notes: (continued)

(iv) On 12 January 2011, the Company allotted and issued a total number of 1,200,282,180 new ordinary shares by way of rights issue at a subscription price of HK$0.18 per rights share on the basis of ten rights shares for every share then held.

(v) On 16 March 2011, the Company placed and issued 264,062,079 new ordinary shares at an issue price of HK$0.059 each.

(vi) The Company's second capital reorganisation during the year 2011 (the "Second Capital Reorganisation") was effective on 28 June 2011 which involved the followings:

- the par value of each issued share of HK$0.01 in the capital of the Company was reduced to HK$0.00005 by canceling the paid up capital to the extent of HK$0.00995 on each issued share (the "Capital Reduction");

- each authorised but unissued share in the capital of the Company was subdivided into 200 subdivided shares of HK$0.00005 each;

- every 20 issued and unissued subdivided shares with par value of HK$0.00005 each was consolidated into one new share of HK$0.001 each (the "Share Consolidation");

- the credit arising from the Capital Reduction was transferred to the contributed surplus account.

(vii) On 29 June 2011, the Company placed and issued 15,843,500 new ordinary shares at an issue price of HK$0.44 each.

(viii) All new ordinary shares issued during the year ended 30 June 2011 rank pari passu in all respects with the then existing shares.

36. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 5 July 2002 whereby any employees (whether or not full-time or part-time) and any consultant or adviser who, at the sole discretion of the board, subject to the terms of the share option scheme, contributed to the Group, may be granted options to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the schemes must not exceed 10% of the total numbers of shares in issue.

During the year ended 30 June 2011, the Company had undertaken two capital reorganisations namely First Capital Reorganisation effective on 9 December 2010 and Second Capital Reorganisation effective on 28 June 2011 (together referred as to the "Capital Reorganisation"), details of which are disclosed in notes 35(b)(iii) and 35(b)(vi). In addition, the Company had also allotted and issued shares by way of rights issue (the "Rights Issue"), details of which are disclosed in note 35(b)(iv).

36. SHARE OPTION SCHEMES (continued)

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO option scheme adopted by the Company on 5 July 2002 (the "Pre-IPO Share Option Scheme"), options were granted to the grantees to subscribe for shares in the Company.

The following share options with an exercisable period from 5 July 2002 to 4 July 2012 were outstanding under the Pre-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Senior management	106.540	6,307	–	–	–	6,307
Other employees and consultants	106.540	6,307	–	–	–	6,307
		12,614	–	–	–	12,614

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Senior management	1.400	106.540	480,000	–	–	(473,693)	6,307
Other employees and consultants	1.400	106.540	480,000	–	–	(473,693)	6,307
			960,000	–	–	(947,386)	12,614

36. SHARE OPTION SCHEMES (continued)

(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 adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 6 January 2004.

The following share options with an exercisable period from 6 January 2004 to 5 January 2014 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Other employees and consultants	83.720	28	–	–	–	28

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Other employees and consultants	1.100	83.720	2,100	–	–	(2,072)	28

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 20 September 2005.

The following share options with an exercisable period from 20 September 2005 to 19 September 2015 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Other employees and consultants	43.380	2,628	–	–	–	2,628

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Other employees and consultants	0.570	43.380	200,000	–	–	(197,372)	2,628

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 23 August 2007.

The following share options with an exercisable period from 23 August 2007 to 22 August 2017 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Former directors#	239.740	91,241	–	–	–	91,241
Senior management	239.740	58,313	–	–	–	58,313
Other employees and consultants	239.740	33,821	–	–	–	33,821
		183,375	–	–	–	183,375

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Former directors#	3.150	239.740	6,944,000	–	–	(6,852,759)	91,241
Senior management	3.150	239.740	4,438,000	–	–	(4,379,687)	58,313
Other employees and consultants	3.150	239.740	2,574,000	–	–	(2,540,179)	33,821
			13,956,000	–	–	(13,772,625)	183,375

The directors holding the share options resigned during the year ended 30 June 2011.

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 9 September 2008.

The following share options with an exercisable period from 9 September 2008 to 8 September 2018 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Senior management	66.220	27,235	–	–	–	27,235
Other employees and consultants	66.220	53,834	–	–	–	53,834
		81,069	–	–	–	81,069

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Senior management	0.870	66.220	2,072,749	–	–	(2,045,514)	27,235
Other employees and consultants	0.870	66.220	4,097,124	–	–	(4,043,290)	53,834
			6,169,873	–	–	(6,088,804)	81,069

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 11 September 2008.

The following share options with an exercisable period from 11 September 2008 to 10 September 2018 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

Name of category of participate	Adjusted exercise price per share HK$	Number of shares issuable under options: Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Other employees and consultants	74.200	57,814	–	–	–	57,814

2011

Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Number of shares issuable under options: Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Other employees and consultants	0.975	74.200	4,400,000	–	–	(4,342,186)	57,814

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 16 December 2008.

The following share options with an exercisable period from 16 December 2008 to 15 December 2018 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

Name of category of participate	Adjusted exercise price per share HK$	Number of shares issuable under options: Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Senior management	29.000	12,482	–	–	–	12,482
Other employees and consultants	29.000	45,332	–	–	–	45,332
		57,814	–	–	–	57,814

2011

Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Number of shares issuable under options: Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Senior management	0.381	29.000	950,000	–	–	(937,518)	12,482
Other employees and consultants	0.381	29.000	3,450,000	–	–	(3,404,668)	45,332
			4,400,000	–	–	(4,342,186)	57,814

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 17 February 2009.

The following share options with an exercisable period from 17 February 2009 to 16 February 2019 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Other employees and consultants	**37.680**	**31,535**	**–**	**–**	**–**	**31,535**

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Other employees and consultants	0.495	37.680	2,400,000	–	–	(2,368,465)	31,535

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 29 May 2009.

The following share options with an exercisable period from 29 May 2009 to 28 May 2019 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

Name of category of participate	Adjusted exercise price per share HK$	Number of shares issuable under options: Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Other employees and consultants	33.480	31,535	–	–	–	31,535

2011

Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Number of shares issuable under options: Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Other employees and consultants	0.440	33.480	2,400,000	–	–	(2,368,465)	31,535

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 31 December 2009.

The following share options with an exercisable period from 31 December 2009 to 30 December 2019 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Senior management	17.120	9,198	–	–	–	9,198
Other employees and consultants	17.120	7,475	–	–	–	7,475
Former directors	17.120	1,314	–	–	–	1,314
		17,987	–	–	–	17,987

2011

			Number of shares issuable under options				
Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Senior management	0.225	17.120	700,000	–	–	(690,802)	9,198
Other employees and consultants	0.225	17.120	568,895	–	–	(561,420)	7,475
Former directors	0.225	17.120	100,000	–	–	(98,686)	1,314
			1,368,895	–	–	(1,350,908)	17,987

36. SHARE OPTION SCHEMES (continued)

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

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme. Options were granted by the Company under the Post-IPO Share Option Scheme on 15 January 2010.

The following share options with an exercisable period from 15 January 2010 to 14 January 2020 were outstanding under the Post-IPO Share Option Scheme during the year:

2012

Name of category of participate	Adjusted exercise price per share HK$	Number of shares issuable under options Outstanding and exercisable as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable as at 30 June 2012
Other employees and consultants	27.780	157,674	–	–	–	157,674

2011

Name of category of participate	Exercise price per share HK$	Adjusted exercise price per share after Capital Reorganisations and Rights Issue HK$	Number of shares issuable under options Outstanding and exercisable as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year upon completion of Capital Reorganisations and Rights Issue	Outstanding and exercisable as at 30 June 2011
Other employees and consultants	0.365	27.780	12,000,000	–	–	(11,842,326)	157,674

36. SHARE OPTION SCHEMES (continued)

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

The fair values of the options granted on 20 September 2005, 23 August 2007, 9 September 2008, 11 September 2008, 16 December 2008, 17 February 2009 and 29 May 2009 determined using the Binominal Option Pricing Model were HK$2,459,600, HK$32,590,077, HK$13,654,408, HK$5,868,400, HK$4,093,100, HK$1,071,600 and HK$948,000 respectively.

The fair values of the options granted on 31 December 2009 and 15 January 2010 determined using the Black-Scholes Option Pricing Model were HK$5,495,000 and HK$3,255,000 respectively. The significant inputs and assumptions to the model were as follows:

Grant date	20 September 2005	23 August 2007	9 September 2008	11 September 2008	16 December 2008	17 February 2009	29 May 2009	31December 2009	15 January 2010
Stock assets price	HK$0.110	HK$0.63	HK$0.174	HK$0.195	HK$0.075	HK$0.099	HK$0.087	HK$0.23	HK$0.37
Exercise price	HK$0.114	HK$0.63	HK$0.174	HK$0.195	HK$0.0762	HK$0.099	HK$0.088	HK$0.225	HK$0.365
Expected volatility	107%	77.37%	95.077%	95.255%	100.409%	102.323%	102.323%	96.04%	97.35%
Expected life	5 years	10 years	10 years	10 years	10 years	10 years	10 years	5 years	5 years
Risk-free interest rate	4.012%	4.480%	2.848%	2.799%	1.530%	1.586%	2.767%	1.93%	1.86%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%

Expected volatility was based on weekly historical volatility since the establishment of the Company.

The Binomial Option Pricing Model and the Black-Scholes Option Pricing Model require the input of highly subjective assumptions, including the volatility of share price. Any changes in subjective input assumptions could materially affect the fair value estimate.

37. RESERVES

(a) The Group

	Share premium HK$'000	Share option reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 July 2010	504,779	38,714	14,690	5,625	43	(221)	(592,038)	(28,408)	9,449	(18,959)
Loss for the year	–	–	–	–	–	–	(82,478)	(82,478)	(2,553)	(85,031)
Other comprehensive (loss)/ income for the year:										
Exchange difference on consolidation	–	–	–	–	–	(286)	–	(286)	–	(286)
Reclassification adjustment upon disposal of subsidiaries (note 10)	–	–	–	–	–	88	–	88	–	88
Total comprehensive loss for the year	–	–	–	–	–	(198)	(82,478)	(82,676)	(2,553)	(85,229)
Issue of new shares on acquisition (note 38)	–	–	–	–	–	–	–	–	–	–
Issue of shares	236,670	–	–	–	–	–	–	236,670	–	236,670
Release upon disposal of subsidiaries (note 10)	–	–	–	–	–	–	–	–	(7,651)	(7,651)
Share issue costs	(10,895)	–	–	–	–	–	–	(10,895)	–	(10,895)
Redemption of convertible notes	–	–	(13,948)	–	–	–	12,018	(1,930)	–	(1,930)
Capital reorganisation	(504,779)	–	–	47,334	–	–	592,038	134,593	–	134,593
Acquisition of a subsidiary (note 38)	–	–	–	–	–	–	–	–	10,418	10,418
At 30 June 2011 and 1 July 2011	225,775	38,714	742	52,959	43	(419)	(70,460)	247,354	9,663	257,017
Loss for the year	–	–	–	–	–	–	(47,160)	(47,160)	(4,434)	(51,594)
Other comprehensive loss for the year:										
Exchange difference on consolidation	–	–	–	–	–	(27)	–	(27)	–	(27)
Total comprehensive loss for the year	–	–	–	–	–	(27)	(47,160)	(47,187)	(4,434)	(51,621)
Issue of convertible note upon acquisition of available-for-sale financial asset (note 32)	–	–	11,508	–	–	–	–	11,508	–	11,508
Deferred tax liability arising on convertible note	–	–	(1,014)	–	–	–	–	(1,014)	–	(1,014)
Redemption of convertible notes	–	–	(11,236)	–	–	–	7,236	(4,000)	–	(4,000)
At 30 June 2012	**225,775**	**38,714**	**–**	**52,959**	**43**	**(446)**	**(110,384)**	**206,661**	**5,229**	**211,890**

37. RESERVES (continued)

(b) The Company

	Share premium HK$'000	Share option reserve HK$'000	Convertible notes reserves HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2010	504,779	38,714	14,690	5,625	43	(628,974)	(65,123)
Loss and total comprehensive loss for the year	–	–	–	–	–	(34,608)	(34,608)
Issue of shares	236,670	–	–	–	–	–	236,670
Share issuance costs	(10,895)	–	–	–	–	–	(10,895)
Redemption of convertible notes	–	–	(13,948)	–	–	12,018	(1,930)
Capital reorganisation	(504,779)	–	–	47,334	–	592,038	134,593
At 30 June 2011 and 1 July 2011	225,775	38,714	742	52,959	43	(59,526)	258,707
Loss and total comprehensive loss for the year	–	–	–	–	–	(59,027)	(59,027)
Issue of convertible note upon acquisition of available-for-sale financial asset (note 32)	–	–	11,508	–	–	–	11,508
Deferred tax liability arising on convertible note	–	–	(1,014)	–	–	–	(1,014)
Redemption of convertible notes	–	–	(11,236)	–	–	7,236	(4,000)
At 30 June 2012	**225,775**	**38,714**	**–**	**52,959**	**43**	**(111,317)**	**206,174**

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and capital redemption reserve are governed by Section 40 of the Companies Act 1981 of Bermuda ("Companies Act").

(ii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 3(p)(ii).

(iii) Convertible notes reserve

Convertible notes reserve have been set up and will be dealt with in accordance with the Group's accounting policies in note 3(t).

37. RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(iv) Contributed surplus

Pursuant to the group reorganisation prior to obtaining a listing, the Company became the holding company of the Group on 5 July 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the group reorganisation was transferred to contribute surplus. Contributed surplus also includes the credit arising from the capital reorganisations effective on 9 December 2010 and 28 June 2011 respectively.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(aa).

(vi) Distributable of reserves

At 30 June 2012, no reserve was available for distribution as dividends to shareholders of the Company (2011: HK$ nil).

38. ACQUISITION OF A SUBSIDIARY

On 5 October 2010, the Group acquired 100% equity interest of Active Link Investments Limited ("Active Link") at a consideration of HK$105,600,000. Active Link holds 100% equity interest of Super Venus Media International Limited ("Super Venus"), a company incorporated in Hong Kong with limited liability, which in turns hold 100% equity interest of Ningbo Venus Kids Furniture Company Limited ("Ningbo Venus"), a wholly foreign-owned enterprise incorporated in the PRC. Ningbo Venus owns 80% equity interest of Shijiazhuang Municipal Xun Hua De Gao Bus Advertising Company Limited ("Shijiazhuang Xunhua"), a company incorporated in the PRC with limited liability. Active Link, Super Venus and Ningbo Venus are investment holding companies. The principal activities of Shijiazhuang Xunhua are the design, production and publication of outdoor advertisements in the PRC. The directors consider that the acquisition of Active Link provides an opportunity for the Group to expand its business in outdoor advertising and display industry in the PRC which will contribute to the earnings base of the Group.

38. ACQUISITION OF A SUBSIDIARY (continued)

The Consideration of HK$105,600,000 was payable as follows:

1. HK$40,000,000 in cash;

2. 140,250,000 new ordinary shares of HK$0.1 each by the Company at an issue price of HK$0.16 per share. All the said consideration shares were issued on 5 October 2010;

3. 2-years zero coupon unsecured convertible notes in an aggregate principal sum of HK$25,560,000; and

4. Issue and allotment of 55,000,000 new ordinary shares of HK$0.1 in each of the two years ending 31 December 2011 and 31 December 2012 respectively by the Company at an issue price of HK$0.16 per share if the Company is satisfied that the guaranteed profit for the relevant year of Shijiazhuang Xunhua has been met. The vendor has guaranteed to the Company that the audited net profits after tax of Shijiazhuang Xunhua for each of the two years ending 31 December 2011 and 31 December 2012 shall not be less than HK$11 million.

   In case of any shortfall between the actual net profit after tax earned by Shijiazhuang Xunhua for each of the two years ending 31 December 2011 and 31 December 2012, the Company shall only issue such number of new ordinary shares at an issue price of HK$0.16 per share to the vendors which are in monetary value equivalent to the amount of actual net profit after tax earned by Shijiazhuang Xunhua in such years. No new ordinary share shall be issued to the vendors if Shijiazhuang Xunhua has not earned any net profit after tax or has made a loss for the two years ending 31 December 2012.

38. ACQUISITION OF A SUBSIDIARY (continued)

5. The fair value of the net assets acquired and the goodwill arising from the acquisition of Active Link are as follows:

	2011 HK$'000
Assets and liabilities acquired:	
Property, plant and equipment (note 15)	321
Intangible assets (note 16)	71,085
Accounts receivable, deposits and other receivables	3,134
Cash and cash equivalents	206
Trade payables, accrued expenses and other payables	(4,882)
Deferred taxation (note 34)	(17,771)
	52,093
Less: Non-controlling interest	(10,418)
	41,675
Goodwill arising from the acquisition (note 17)	48,979
Consideration	90,654
Represented by	
Cash*	40,000
Issue of shares at fair value	14,025
Convertible note issued	25,560
Contingent consideration	11,069
	90,654
Net cash outflow arising from acquisition:	
Cash consideration paid	(30,000)
Bank balances and cash acquired	206
	(29,794)

* Including the deposit of HK$10,000,000 paid during the year ended 30 June 2010.

38. ACQUISITION OF A SUBSIDIARY (continued)

Notes:

(i) Intangible assets represents sub-license advertising right of single-decker buses, double-decker buses and bus stations in Shijiazhuang City, Hebei Province, the PRC. The fair value of the intangible assets acquired HK$71,085,000 was determined by the directors by reference to the valuation report prepared by RHL Appraisals Limited, an independent qualified professional valuer. The valuers have adopted an income approach and fair value is estimated based on discounted cash flow model using a long-term growth rate of 10% and a discount rate of 14.73% as inputs.

(ii) The non-controlling interests in Active Link recognised at the acquisition date was measured by reference to non-controlling interest's proportionate share of the Active Link's net identifiable assets.

(iii) The fair value of the 140,250,000 new ordinary shares issued as part of the consideration of the acquisition of Active Link was based on the closing bid price of the Company's share as at 5 October 2010, the date of completion, which is HK$0.1 per share. The total fair value of HK$14,025,000 was credited to share capital (note 35(b)).

(iv) Details of the 2-years zero coupon unsecured convertible note are detailed in note 32.

(v) As contingent consideration, the Group is to issue to the vendors 55,000,000 shares at an issue price of HK$0.16 per share in each of the two years ending 31 December 2011 and 31 December 2012 provided that Shijiazhuang Xunhua will earn a net profit after tax of not less than HK$11,000,000 for each of the two years ending 31 December 2011 and 31 December 2012. In case of any shortfall between the actual net profit tax earned by Shijiazhuang Xunhua and the guaranteed amount, the Group shall only issue such number of shares at an issue price of HK$0.16 per share to the vendors (in such proportion as notified by the vendors to the Group) which will in monetary value be equivalent to the amount of the actual net profit after tax earned by Shijiazhuang Xunhua for each of the two years ending 31 December 2011 and 31 December 2012. No share shall be issued to the vendors if Shijiazhuang Xunhua has not earned any net profit after tax or has made a loss for each of the two years ending 31 December 2011 and 31 December 2012. The amount of HK$11,069,000 represents the estimated fair value of this obligation as at the date of acquisition. Fair value is estimated based on Monte-Carlo Simulation Model, using an average net profit-to-revenue ratio of 12.88% for 2011 and 2012.

As at 30 June 2011, the amortised costs of the purchase consideration payable based on the above inputs would be stated at fair value of the aggregate discounted contingent consideration payable of HK$12,048,000, which is the sum of the contingent consideration attributable to 2011 of HK$5,684,000 and 2012 of HK$6,364,000. The difference between the fair value of HK$12,048,000 and the amortised cost of the aggregate purchase consideration payable of HK$11,069,000 was charged in consolidated income statement for the year ended 30 June 2011.

As at 30 June 2012, the amortised costs of the purchase consideration payable based on the above inputs would be stated at fair value of the aggregate discounted contingent consideration payable of approximately HK$4,454,000, which is the sum of the consideration attributable to 2011 of HK$3,801,000 and contingent consideration attributable to 2012 of HK$653,000. The difference between the fair value of HK$4,454,000 and the amortised cost of the aggregate purchase consideration payable of HK$12,048,000 was charged in consolidated income statement for the year ended 30 June 2012.

(vi) The directors of the Company considered that goodwill is attributable to the revenue growth and future market development, the anticipated profitability of the business in outdoor advertising in the PRC and the premium paid for acquisition of the control.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

38. ACQUISITION OF A SUBSIDIARY (continued)

Acquisition related costs amounting to approximately HK$910,000 have been excluded from consideration transferred and have been recognised as an expense for the year, within the "Administrative expenses" in the consolidated income statement.

Included in the loss for the year ended 30 June 2011 from continuing operations is HK$10,982,000 attributable to the acquisition of Active Link. Revenue for the year ended 30 June 2011 includes approximately HK$29,036,000 in respect of Active Link.

If the acquisition of Active Link had been completed on 1 July 2010, the Group's revenue would have been increased to approximately HK$40,368,000 and loss for the year ended 30 June 2011 from continuing operations would have been decreased to approximately HK$71,434,000. The pro-forma financial information is for illustrative purpose only and is not necessary an indication of revenue and results of the Group that actually would have been achieved have the acquisition been completed on 1 July 2010 nor is it intended to be a projection of future results.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debt financing, or sell assets to reduce debt. No changes were made in the objective and processes during the year of 2012 and 2011.

The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level.

The Group's gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Debt (note (i))	**4,400**	4,241
Cash and cash equivalents (note 27)	**(4,419)**	(114,172)
Net debt	**(19)**	(109,931)
Equity (note (ii))	**206,756**	247,449
Net debt to equity ratio	**N/A**	N/A

Notes:

(i) Debt comprises borrowing and convertible notes as detailed in notes 31 and 32 respectively.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

40. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

Categories of financial instruments

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss	**39**	12,731	**–**	–
Loans and receivables (including cash and cash equivalents)	**9,716**	177,933	**80,471**	190,577
Available-for-sale financial asset	**78,000**	–	**–**	–
Financial liabilities				
Amortised cost	**46,745**	38,374	**32,239**	30,145

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, equity price risk, foreign currency risk and cash flow interest rates risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance and are set out below.

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk on interest bearing borrowing and variable-rate bank balances as at 30 June 2012 and 2011. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate borrowing and bank balances, the analysis is prepared assuming the amount of liability and balance outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

At 30 June 2012, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after tax would decrease/increase by approximately HK$190 (2011: HK$16,500). This is mainly attributable to the Group's exposure to interest rates on its bank balances.

(b) Liquidity risk

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the loss for the year ended 30 June 2012 of approximately HK$51,594,000 (2011: HK$85,031,000). The directors of the Company are satisfied that the Group has so far meet all the financial obligations as and when they fall due and will consider to raise fund by ways of issuing debt and equity instruments of the Group or to obtain adequate committed lines of funding from financial institutions to meet its liquidity requirements in future.

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2012						2011					
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less tham 5 years	More tham 5 years
Trade payables, accrued expenses and other payables	37,891	37,891	37,891	–	–	–	22,085	22,085	22,085	–	–	–
Purchase consideration payable	4,454	4,454	4,454	–	–	–	12,048	12,048	5,684	6,364	–	–
Borrowing	4,400	4,532	4,532	–	–	–	–	–	–	–	–	–
Convertible notes	–	–	–	–	–	–	4,241	4,400	4,400	–	–	–
	46,745	46,877	46,877	–	–	–	38,374	38,533	32,169	6,364	–	–

The Company

	2012						2011					
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less tham 5 years	More tham 5 years
Accrued expenses and other payables	13,995	13,995	13,995	–	–	–	4,466	4,466	4,466	–	–	–
Purchase consideration payable	4,454	4,454	4,454	–	–	–	12,048	12,048	5,684	6,364	–	–
Amount due to a subsidiary	9,390	9,390	9,390	–	–	–	9,390	9,390	9,390	–	–	–
Borrowing	4,400	4,532	4,532	–	–	–	–	–	–	–	–	–
Convertible notes	–	–	–	–	–	–	4,241	4,400	4,400	–	–	–
	32,239	32,371	32,371	–	–	–	30,145	30,304	23,940	6,364	–	–

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 22) as at 30 June 2012 and 2011 respectively.

Sensitivity analysis

At 30 June 2012, if equity prices at that date had been 5% higher/lower with all other variables held constant, loss after taxation would decrease/increase by HK$2,000 (2011: HK$532,000) as a result of the changes in fair value of trading securities.

(d) Credit risk

The Group has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. Bank deposits are limited to high credit rating financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivables are set out in note 24.

In respect of the amounts due from subsidiaries, the management has closely monitored and reviewed the recoverability of the amounts and the directors consider such credit risk is considered manageable.

In 30 June 2012, the Group had certain concentration of credit risk as 73% (2011: 69%) of the total trade receivables of the Group were due from 5 customers (2011: 5 customers). In addition, the Group had a concentration of credit risk by geographical area since its total trade debtors consists of customers entirely in the PRC as at 30 June 2012 (2011: 100%) at the end of reporting period.

(e) Foreign currency risk

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. Accordingly, no sensitivity analysis has been prepared.

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(f) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated and Company financial statements approximate to their fair values.

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(f) Fair value of financial instruments (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	As at 30 June 2012							
	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss								
Trading securities	39	–	–	39	–	–	–	–

	As at 30 June 2011							
	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss								
Trading securities	12,731	–	–	12,731	–	–	–	–

There were no transfers between instruments in Level 1 and Level 2 during the two years ended 30 June 2012 and 2011.

41. COMMITMENTS

(a) Operating leases commitments

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2012 HK$'000	2011 HK$'000
Within 1 year	521	379
After 1 year but within 5 years	146	95
	667	474

41. COMMITMENTS (continued)

(a) Operating leases commitments (continued)

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

	The Company	
	2012	2011
	HK$'000	HK$'000
Within 1 year	**232**	63
After 1 year but within 5 years	**77**	–
	309	63

Operating lease payments represents rentals payable by the Company for its office premise with lease terms of 2 years. The Company does not have an option to purchase the lease asset at the expiry of the lease period.

(b) Capital commitments

Capital commitments outstanding at 30 June 2012 not provided for in the consolidated financial statements of the Group were as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for:		
Investment of available-for-sale financial asset	**–**	58,000
Investment in joint ventures	**7,000**	19,282
Acquisition of subsidiaries	**1,670,704**	–
Capital injection to a subsidiary	**–**	23,207
	1,677,704	100,489

	The Company	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for:		
Investment in joint ventures	**7,000**	7,000

42. LITIGATION

(a) 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 of the Company, Mr. Wong Yao Wing, Robert, an ex-director of the Company and the Company (collective, the ("Defendants")). The Plaintiff claimed against each of the Defendant 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 level 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.

During the year ended 30 June 2012, the Defendants had jointly taken out an application for leave to adduce expert evidence from independent witnesses on issues revolving around the placing agreement in June 2008. After the hearing on 17 September 2012, the Court refused leave to adduce expert evidence with costs to the Plaintiff. The Court also fixed the date for the next case management conference on 17 January 2013.

The directors, based on legal advice, consider that the Plaintiff does not have any valid claim against the Company at all and the Company has good defense to the claims. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

(b) On 14 January 2011, a Writ of Summons was issued by Smart Step Holdings Limited ("SSHL") as the plaintiff against the Company, Inno-Gold Mining Limited ("IGML") and Dragon Emperor International Limited ("DEIL"). DEIL and IGML were the subsidiaries of the Company until 9 May 2011 when the Company disposed all its interest in them.

SSHL alleged that Ms. Wong Yuen Yee and Mr. Wong Yao Wing had acted negligently and/or had breached their duties during their time as executives and directors of the Company, DEIL and IGML.

The substantive hearing of this case was adjourned sine die pursuant to the court order dated 15 April 2011, and currently there is no hearing listed for this case. This case remains dormant as at the date of approval of these consolidated financial statements.

The directors, based on legal advice, consider that the case does not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

43. MATERIAL RELATED PARTY TRANSACTIONS

(a) The following represents a summary of material transactions during the year between the Group and related parties identified by the directors:

	2012 **HK$'000**	2011 HK$'000
Operating expenses paid (note (i))	–	155

Notes:

(i) The former directors, Ms. Wong Yuen Yee (resigned on 19 January 2011), Mr. Wong Yao Wing, Robert (resigned on 31 January 2011), Mr. Lam Shiu San (resigned on 1 June 2010) and Mr. Wong Kwok Sing (resigned on 23 March 2010), and related companies paid certain operating expenses on behalf of the Group.

(ii) On 9 January 2008, Shandong Xun Hua Media Advertising Company Limited ("Shandong Xunhua") sub-licensed its advertising rights for the single-decker buses to Shijiazhuang Xunhua, which is effective from 1 February 2008 to 31 January 2015. The sub-license of advertising rights was terminated in April 2011.

Following the completion of acquisition for Active Link Investment Limited on 5 October 2010, Shandong Xunhua owns 20% equity interest in Shijiazhuang Xunhua. Active Link Investment Limited owns 80% equity interest of Shijiazhuang Xunhua. On 6 December 2011, Shandong Xunhua disposed of its equity interests in Shijiazhuang Xunhua.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

(b) Compensation of key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2012 **HK$'000**	2011 HK$'000
Basic salary, allowance and other benefits	**1,513**	3,921
Recognised retirement pension	**17**	50
	1,530	3,971

44. NON-CASH TRANSACTIONS

On 13 July 2011, the Group acquired 19% issued share capital of China New Media at a consideration of HK$78,000,000. The consideration of approximately HK$39,000,000 was satisfied by issue of a convertible note.

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 31 August 2012, the Company completed the acquisition of 100% equity interest in Redgate Ventures Limited ("Redgate") at a consideration of approximately HK$1,750,704,000. The Company had paid a refundable deposit of HK$80,000,000 during the year.

Redgate was established on 14 October 2010 and is principally engaged in investment holding. Redgate's subsidiaries engage in the provision of outdoor advertising displays and media advertisement agency services and advertising production and design services in the PRC.

As disclosed in the circular of the Company dated 24 April 2012, the assets and liabilities of Redgate Ventures Limited and its subsidiaries as at 31 December 2011 are as follows:

	HK$'000
Non-current assets:	
Property, plant and equipment	388
Intangible assets	6,472
Goodwill	178,122
Available-for-sale investments	497
Deferred tax assets	293
	185,772
Current assets:	
Trade and bills receivables	67,806
Prepaid advertising placement service costs	30,737
Held-to-maturity investment	1,222
Deposits, payments and other receivables	19,933
Amount due from the ultimate holding company	1,759
Amounts due from related parties	104,078
Cash and cash equivalents	36,226
	261,761
Total assets	447,533
Current liabilities:	
Trade and bills payables, advanced payments from customers, accruals and other payables	49,255
Amounts due to related parties	175,159
Acquisition consideration payables	13,652
Profits distributable to non-controlling owners of acquired subsidiary	10,213
Tax payables	38,785
Convertible bonds	31,464
	318,528
Non-current liabilities:	
Convertible bonds	43,241
Deferred tax liabilities	1,618
	44,859
Total liabilities	363,387

The assets and liabilities acquired by the Group on the completion date is not yet available for disclosure because the initial accounting for this business combination is still in the progress at the date of approval of these consolidated financial statements.

45. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) The placing of the convertible bonds in the aggregate principal amount of HK$200,000,000 ("Placing CB") was completed on 29 August 2012. The Placing CB has been successfully placed to more than six placees, none of whom will become a substantial shareholder of the Company by virtue of the exercise of the conversion rights attached to the Placing CB. An aggregate of HK$200,000,000 was raised from the placing. The net proceeds from the placing amounted to approximately HK$194,000,000, and as disclosed in the circular of the Company dated 24 April 2012, will be used to fund the cash portion of the consideration paid for acquisition of Redgate.

(c) On 20 July 2012, the Company entered into a loan agreement with Freeman Corporation Limited ("Freeman"), which is independent of the Company and its associates, for which Freeman agreed to provide the Company a fixed term loan of HK$3,000,000. The loan is unsecured, bears interest at 1% per month and is repayable on or before 19 October 2012.

(d) On 31 August 2012, the Company entered into a loan agreement with Tonawater Finance Limited ("Tonawater"), which is independent of the Company and its associates, for which Tonawater agreed to provide the Company a fixed term loan of HK$16,000,000. The loan is unsecured, bears interest at 12% per annum and is repayable on or before 28 February 2013.

46. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 September 2012.