

INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

Interim Report 2012/2013



**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 (“STOCK EXCHANGE”)

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This report, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

CORPORATE INFORMATION

Board of Directors

Mr. Chen Chuan (*Chairman*)
Mr. Ang Wing Fung
Mr. Shih Yau Ting, Jackson
(*appointed on 18 February 2013*)
Mr. Lee Ho Yiu, Thomas
(*appointed on 21 January 2013*)
Ms. Lu Di *
Mrs. Kwan Leung, Anna *
Ms. Wong On Yee *
(*resigned on 21 January 2013*)

* 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
(*resigned on 7 May 2013*)
Mr. Cheng Wai Hei, FCCA, ACS, IACS
(*appointed on 7 May 2013*)

Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)
(*appointed on 21 January 2013*)
Ms. Lu Di
Mrs. Kwan Leung, Anna
Ms. Wong On Yee
(*resigned on 21 January 2013*)

Remuneration Committee Members

Mr. Ang Wing Fung (*Chairman*)
Mr. Lee Ho Yiu, Thomas
(*appointed on 21 January 2013*)
Ms. Lu Di
Ms. Wong On Yee
(*resigned on 21 January 2013*)

Nomination Committee Members

Mr. Chen Chuan (*Chairman*)
Mr. Lee Ho Yiu, Thomas
(*appointed on 21 January 2013*)
Mrs. Kwan Leung, Anna
Ms. Wong On Yee
(*resigned on 21 January 2013*)

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 Bankers

Shanghai Commercial Bank Limited
The Bank of East Asia Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

Room 606, 6th Floor
MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Principal Share Registrars and Transfer Office

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

Hong Kong Branch Share Registrars and Transfer Office

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

Company Website

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

Gem Stock Code

8202

HIGHLIGHTS

- Revenue for the six months ended 31 December 2012 amounted to approximately HK\$52,241,000, representing an increase of approximately 93% as compared to amount reported in the corresponding period in 2011.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$33,720,000 for the six months ended 31 December 2012.
- Basis loss per share amounted to HK\$0.05 for the six months ended 31 December 2012.
- The Board did not recommend the payment of a dividend for the six months ended 31 December 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

The board of directors ("Board") of Inno-Tech Holdings Limited ("Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 31 December 2012 as follow:–

	Notes	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	3	33,377	14,189	52,241	27,058
Cost of sales		(37,285)	(14,213)	(59,780)	(29,083)
Gross loss		(3,908)	(24)	(7,539)	(2,025)
Other revenue and net income		270	2,340	385	2,346
Marketing and promotion expenses		(811)	(753)	(1,174)	(1,223)
Administrative expenses		(9,898)	(5,239)	(16,150)	(11,398)
Finance costs		(13,953)	(163)	(19,251)	(1,162)
Share of losses of associates and jointly controlled entities		–	(5)	–	(5)
Changes in fair value of derivative financial instruments		–	(1,384)	–	(1,384)
(Loss)/gain on disposal of trading Securities		–	1,678	–	(5,453)
(Loss)/gain on fair value change in trading securities		(8)	641	(10)	(1,088)
Loss before income tax	4	(28,308)	(2,909)	(43,739)	(21,392)
Income tax	5	(1,031)	601	3,593	1,273
Loss for the period		(29,339)	(2,308)	(40,146)	(20,119)
Other comprehensive loss					
Exchange difference acting on translation of foreign operations		(367)	(20)	(142)	(68)
Total comprehensive loss for the period		(29,706)	(2,328)	(40,288)	(20,187)
Loss for the period attributable to:					
Owners of the Company		(24,447)	(2,377)	(33,720)	(19,879)
Non-controlling interests		(4,892)	69	(6,426)	(240)
		(29,339)	(2,308)	(40,146)	(20,119)
Total comprehensive loss attributable to:					
Owners of the Company		(24,814)	(2,397)	(33,862)	(19,947)
Non-controlling interests		(4,892)	69	(6,426)	(240)
		(29,706)	(2,328)	(40,288)	(20,187)
Loss per share attributable to owners of the Company					
– Basic and diluted	6	(0.02)	(0.03)	(0.05)	(0.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Non-current assets			
Property, plant and equipment	8	1,118	1,929
Intangible assets	9	39,686	44,468
Goodwill	10	1,791,686	48,979
Available-for-sale investments	11	78,000	78,000
Interest in associate		87	–
Deferred tax assets		295	–
		1,910,872	173,376
Current assets			
Trading securities	12	29	39
Accounts receivables	13	36,367	4,837
Prepayments, deposits and other receivables	14	28,023	8,140
Prepaid advertising placement service costs		9,006	–
Amounts due from related companies		75,388	–
Deposit for acquisition of a subsidiary		–	80,000
Tax recoverable		1,137	1,089
Cash and cash equivalents		14,409	4,419
		164,359	98,524
Current liabilities			
Trade payables, accrued expenses and other payables	15	98,368	39,944
Amounts due to related companies		177,499	–
Financial derivatives of convertible instruments		29,506	–
Purchase consideration payable		18,184	4,454
Borrowings	16	23,400	4,400
Tax payable		26,326	–
		373,283	48,798
Net current (liabilities)/assets		(208,924)	49,726
Total assets less current liabilities		1,701,948	223,102
Non-current liabilities			
Deferred taxation		10,656	11,117
Convertible instruments	17	1,047,501	–
Promissory notes	18	149,509	–
		1,207,666	11,117
NET ASSETS		494,282	211,985
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	992	95
Reserve		486,972	206,661
		487,964	206,756
Non-controlling interest		6,318	5,229
TOTAL EQUITY		494,282	211,985

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

	Attributable to owners of the Company										Non-controlling interest	Total
	Share capital	Share premium	Share options reserve	Convertible notes/bonds reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Accumulated losses	Attributable to owners of the Company			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011	95	225,775	38,714	742	52,959	43	(419)	(70,460)	247,449	9,663	257,112	
Loss for the period	-	-	-	-	-	-	-	(19,879)	(19,879)	(240)	(20,119)	
Exchange difference on consolidation	-	-	-	-	-	-	(68)	-	(68)	-	(68)	
Total comprehensive loss for the period	-	-	-	-	-	-	(68)	(19,879)	(19,947)	(240)	(20,187)	
Issue of convertible notes	-	-	-	11,508	-	-	-	-	11,508	-	11,508	
Redemption of convertible notes	-	-	-	(12,250)	-	-	-	742	(11,508)	-	(11,508)	
At 31 December 2011	95	225,775	38,714	-	52,959	43	(487)	(89,597)	227,502	9,423	236,925	
At 1 July 2012	95	225,775	38,714	-	52,959	43	(446)	(110,384)	206,756	5,229	211,985	
Loss for the period	-	-	-	-	-	-	-	(33,720)	(33,720)	(6,426)	(40,146)	
Exchange difference on consolidation	-	-	-	-	-	-	(142)	-	(142)	-	(142)	
Total comprehensive loss for the period	-	-	-	-	-	-	(142)	(33,720)	(33,862)	(6,426)	(40,288)	
Issue of convertible bonds	-	(6,000)	-	28,866	-	-	-	-	22,866	-	22,866	
Exercise of convertible notes	449	155,217	-	-	-	-	-	-	155,666	-	155,666	
Deferred tax liability arising on convertible bonds	-	-	-	(4,329)	-	-	-	-	(4,329)	-	(4,329)	
Exercise of convertible on bonds	429	159,362	-	(19,998)	-	-	-	-	139,793	-	139,793	
Issue of shares	19	1,055	-	-	-	-	-	-	1,074	-	1,074	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	7,515	7,515	
At 31 December 2012	992	535,409	38,714	4,539	52,959	43	(588)	(144,104)	487,964	6,318	494,282	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2012

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Net cash used in operating activities	(3,774)	(5,712)
Net cash used in investing activities	(199,896)	(60,662)
Net cash generated from/(used in) financing activities	214,074	(39,000)
Increase/(decrease) in cash and cash equivalents	10,404	(105,374)
Cash and cash equivalents at the beginning of the period	4,419	114,172
Effect of foreign exchange rate change	(414)	(68)
Cash and cash equivalent at the end of the period	14,409	8,730
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	14,409	8,730
Bank overdrafts	–	–
Cash and cash equivalents	14,409	8,730

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2012 (“Interim Results”) 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 unaudited consolidated financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). Hong Kong dollar is the Company’s functional and presentation currency. These unaudited consolidated financial statements are presented in Hong Kong dollars (“HK\$”) rounded to the nearest thousand except when otherwise indicated.

The unaudited consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These unaudited consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

During the period, the Group incurred a loss of approximately HK\$40,146,000 (six months ended 31 December 2011: HK\$20,119,000) and had net current liabilities of approximately HK\$208,924,000 as at 31 December 2012.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparation of the Interim Results are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2012 (“Annual Financial Statements”). The Interim Results should be read in conjunction with the Annual Financial Statements.

The Interim Results are unaudited, but have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

3. TURNOVER

Turnover represents revenue from the design of residential intranet, provision of home-automation services and trading of related home-automation products, outdoor advertising operations and television advertisements 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:

	Unaudited	
	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Income from advertising operations	51,988	23,075
Income from design of residential intranet, provision of home-automation services and trading of related home-automation products	253	3,983
	52,241	27,058

4. LOSS BEFORE INCOME TAX

	Unaudited	
	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Finance cost		
Interest on bank loans and overdrafts		
wholly repayable within five years	1,293	59
Interest on convertible notes	15,073	1,079
Interest on promissory notes	2,041	–
Other loan interest	844	24
Staff cost	7,054	3,405
Amortisation of intangible assets	9,075	7,985
Depreciation on owned assets	1,372	3,233
Operating lease charge in respect of office premises	1,219	375

5. INCOME TAX

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

	Unaudited	
	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	1,997	790
Deferred tax		
Current period	(5,590)	(2,063)
	(3,593)	(1,273)

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

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the period.

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

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

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

	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Loss for the period attributable to: Owners of the Company	(24,447)	(2,377)	(33,720)	(19,879)

	Number of shares three months ended 31 December		Number of shares six months ended 31 December	
	2012 (Unaudited) '000	2011 (Unaudited) '000	2012 (Unaudited) '000	2011 (Unaudited) '000
Weight average number of ordinary shares for basic and diluted loss per share calculation	985,214	95,062	636,298	95,062

7. SEGMENT INFORMATION

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

(a) Business segments

The Group comprises the following main business segments:

Advertising:	Rental revenue from display of advertisements on bus bodies, television and bill board.
Intelligent system:	The development and sale of intelligent home electronic application system.

Segment information about these businesses is set out as follows:

	For the six months ended 31 December 2012		
	Advertising (unaudited) HK\$'000	Intelligent system (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Revenue from external customers	51,988	253	52,241
Reportable segment loss	(14,837)	(1,161)	(15,998)
Depreciation and amortization	9,182	1,178	10,360
Reportable segment assets	1,995,554	221	1,995,775
Reportable segment liabilities	289,838	12,641	302,479
	For the six months ended 31 December 2011		
	Advertising (unaudited) HK\$'000	Intelligent system (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Revenue from external customers	23,075	3,983	27,058
Reportable segment loss	(6,176)	(3,760)	(9,936)
Depreciation and amortization	8,058	3,082	11,140
Reportable segment assets	113,951	5,432	119,383
Reportable segment liabilities	22,116	13,729	35,845

7. **SEGMENT INFORMATION** (Continued)

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

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Turnover		
Reportable segments' revenues	52,241	27,058
Elimination of inter-segment revenue	–	–
	52,241	27,058

	Unaudited Six months ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Loss before income tax		
Reportable segment loss	(15,998)	(9,936)
Share of profits less losses of associates	–	(5)
Other revenue and other net income	2	4,205
Finance costs	(19,251)	(1,103)
Unallocated head office and corporate expenses	(8,492)	(14,553)
Consolidated loss before income tax	(43,739)	(21,392)

	Unaudited 31 December	
	2012 HK\$'000	2011 HK\$'000
Total assets		
Reportable segment assets	1,995,775	119,383
Elimination of inter-segment receivables	–	–
	1,995,775	119,383
Interests in associates (accounted for by the equity method)	87	1,785
Unallocated		
– Available-for-sale investments	78,000	78,000
– Others	1,369	97,581
Consolidated total assets	2,075,231	296,749

7. SEGMENT INFORMATION (Continued)

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

	Unaudited 31 December	
	2012 HK\$'000	2011 HK\$'000
Total liabilities		
Reportable segment liabilities	302,479	35,845
Elimination of inter-segment payables	–	–
	302,479	35,845
Unallocated		
– Deferred tax liabilities	10,656	12,781
– Convertible notes	1,047,501	–
– Promissory notes	149,569	–
– Others	70,744	11,198
	1,580,949	59,824

(c) Geographic information

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

8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 2012 HK\$'000
Net book value as at 1 July	1,929
Additions	102
Acquisition of subsidiaries (note 20)	459
Depreciation	(1,372)
	1,118

9. INTANGIBLE ASSETS

	Unaudited 2012 HK\$'000
Net book value as at 1 July	44,468
Acquisition of subsidiaries (note 20)	4,277
Amortisation	(9,075)
Exchange realignment	16
	39,686

10. GOODWILL

	Unaudited 2012 HK\$'000
Net book value as at 1 July	48,979
Acquisition of subsidiaries (note 20)	1,742,707
Written-off during the period	–
	1,791,686

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Unlisted investments at cost	78,000	78,000

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

12. TRADING SECURITIES

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Listed securities:		
– Equity securities listed in Hong Kong	29	39

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

13. ACCOUNTS RECEIVABLE

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Trade debtors	36,367	4,837
Less: allowance for doubtful debts	–	–
	36,367	4,837
Receivable from associates	–	–
	36,367	4,837

The ageing analysis of account receivables is as follows:

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Current	25,893	3,590
Less than 1 months past due	311	436
1 to 3 months past due	2,282	25
Over 3 months past due	7,881	786
	36,367	4,837

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

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Past due but not impaired:		
– Less than 1 months past due	2,593	461
– Over 3 months past due	7,881	786
	10,474	1,247
Neither past due nor impaired	25,893	3,590
	36,367	4,837

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Prepayments	4,362	6,291
Rental and utility deposits	619	67
Other deposits	18,255	1,389
Other receivables	6,430	2,036
	29,666	9,783
Less: Impairment loss on other receivables	(1,643)	(1,643)
At the end of period/year	28,023	8,140
At the beginning of the period/year	1,643	1,212
Impairment loss recognized	-	431
Disposal of subsidiaries	-	-
At the end of period/year	1,643	1,643

15. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Trade payables	20,850	539
Accrued expenses and other payables	71,580	37,352
Receipts in advance	5,938	2,053
	98,368	39,944

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

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Less than 1 month	16,711	28
1 to 3 months	-	-
Over 3 months	4,139	511
	20,850	539

16. BORROWINGS

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Other loans, unsecured	23,400	4,400

As at 31 December 2012, the borrowings are unsecured, bears interest between 3% to 12% per annum and is repayable within one year.

The directors of the Company consider that the carrying amount of the Group's borrowings approximates its fair value.

17. CONVERTIBLE INSTRUMENTS

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Liability component		
At the beginning of the period/year	–	4,241
Issue of convertible notes/bonds	1,325,547	32,855
Exercise of convertible notes/bonds	(293,119)	–
Early redemption	–	(33,775)
Redemption on maturity	–	(4,400)
Interest charges	15,073	1,079
At the end of the period/year	1,047,501	–
Less: Amount due within one year	–	–
Amount due after one year	1,047,501	–

18. PROMISSORY NOTES

On 31 August 2012, the company issued HK\$160,000,000 unsecured redeemable promissory notes in connection with the acquisition of 100% equity interest in the Redgate Ventures Group (Note 20). The promissory notes are repayable in one lump sum on maturity of two years. The promissory notes were interest free. The company has the right to repay the promissory notes prior to the maturity to the note-holders. The fair value of promissory notes on 31 August 2012 is approximately HK\$147,468,000 (Note 20). The promissory notes are classified as non-current liabilities and are carried on the amortised cost basis until extinguished on redemption. Taking into account the accrued effective interest of HK\$2,041,000, the carrying amount of promissory notes amounted to HK\$149,509,000 as at 31 December 2012.

19. SHARE CAPITAL

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Authorised: 300,000,000,000 shares of HK\$0.001 each	300,000	300,000
Issued and fully paid: 991,706,089 share of HK\$0.001 each	992	95
	Number of shares '000	Nominal value HK\$'000
At 30 June 2011 and 30 June 2012	95,062	95
Placement of shares (Note (i))	19,012	19
Exercise of convertible notes (note (ii))	448,684	449
Exercise of convertible bonds (note (iii))	428,947	429
As 31 December 2012	991,705	992

Notes:

- (i) On 26 October 2012, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 19,012,424 placing shares on a fully underwritten basis to the placee who is an independent third party at the placing price of HK\$0.06 per placing share. The placing was completed on 1 November 2012.
- (ii) During the six months ended 31 December 2012, the convertible notes amounted to HK\$170,500,000 were converted into 448,684,191 ordinary shares of the company.
- (iii) During the six months ended 31 December 2012, the convertible bonds amounted to HK\$163,000,000 were converted into 428,947,351 ordinary shares of the company.

20. BUSINESS COMBINATION

On 31 August 2012, the Group acquired 100% equity interest of Redgate Ventures Limited (“Redgate Ventures”) and its subsidiaries (collectively refer as the “Redgate Ventures Group”) for a consideration of HK\$1,623,766,000.

The net assets acquired in these transactions are as follows:–

	Unaudited 31 August 2012 HK\$'000
Net assets acquired	
Property, plant and equipment (Note 8)	459
Intangible assets (Note 9)	4,277
Interest in associate	126
Deferred tax assets	293
Trade and bills receivables	33,821
Prepaid advertising placement service costs	15,208
Deposits, prepayments and other receivables	22,472
Amounts due from related parties	81,407
Cash and cash equivalents	10,206
Trade and bills payables, advanced payments from customers, accruals and other payables	(68,531)
Amounts due to related parties	(175,634)
Acquisition consideration payables	(13,676)
Profits distributable to non-controlling owners of acquired subsidiary	(799)
Tax payables	(19,986)
Deferred tax liabilities	(1,069)
	(111,426)
Non-controlling interests	(7,515)
Goodwill (Note 10)	1,742,707
Total Consideration	1,623,766
Consideration satisfied by:	
Cash paid*	290,000
Convertible notes	1,186,298
Promissory notes – at fair value (Note 18)	147,468
	1,623,766
Net cash outflow arising on acquisition:	
Consideration paid in cash	(290,000)
Cash and cash equivalent balances acquired	10,206
	(279,794)

* Including the deposit of HK\$80,000,000 paid during the year ended 30 June 2012.

21. COMMITMENTS

(i) Operating lease commitments

The future minimum lease payments of advertising media leases under non-cancellable lease contracts are as follow:

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Within 1 year	49,427	–
Over 1 year but within 5 years	27,798	–
	77,225	–

The total future minimum lease payments of office rentals under non-cancellable lease contracts are as follow:

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Within 1 year	1,479	521
Over 1 year but within 5 years	629	146
	2,108	667

(ii) Capital commitments

	Unaudited 31 December 2012 HK\$'000	Audited 30 June 2012 HK\$'000
Contracted but not provided for: Investment on joint venture	7,000	7,000

22. NON-CASH TRANSACTIONS

On 31 August 2012, the Group acquired 100% issued share capital of Redgate Ventures at a consideration of HK\$1,623,766,000. The consideration of approximately HK\$1,186,298,000 and HK\$147,468,000 were satisfied by issue of convertible notes and promissory notes respectively.

23. EVENTS AFTER THE REPORTING PERIOD

- (a) On 27 December 2012, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 198,341,217 placing shares on a fully underwritten basis to the placees who are independent third parties at the placing price of HK\$0.032 per placing share. The placing was completed on 3 January 2013.
- (b) The Board proposes to implement the share consolidation on the basis that every ten issued and unissued shares of HK\$0.001 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.01 each. The share consolidation was effective on 29 January 2013.

DIVIDEND

The Directors did not recommend the payment of a dividend for the six months ended 31 December 2012 (2011: Nil).

BUSINESS REVIEW

For the six months ended 31 December 2012, the Group's unaudited consolidated turnover amounted to approximately HK\$52,241,000 (2011: HK\$27,058,000).

The Group recorded a net loss attributable to the owners of the Company of approximately HK\$33,720,000 for the six months ended 31 December 2012 (2011: net loss HK\$19,879,000). Basic loss per share for the six months ended 31 December 2012 was HK\$ 0.05 (2011: basic loss per share: HK\$0.22).

Outdoor advertising business in Shijiazhuang

The Chinese government implemented measures to curb inflation and property prices during the period. 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 period. It is due to replacement of old-fashioned equipment by new model and the Chinese Government new subsidies program for energy-efficient equipment.

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 six months ended 31 December 2012, the sales revenue of outdoor advertising business in Shijiazhuang decreased by 6.3% to HK\$21,618,000 in 2012, from HK\$23,075,000 in the corresponding period in 2011.

Acquisition of Redgate Ventures Group

On 31 August 2012, the Group acquired 100% equity interest of Redgate Ventures Limited (“Redgate Ventures”) and its subsidiaries (collectively refer as “Redgate Ventures Group”). Redgate Ventures is a major media investment holding company built by a team of career media professionals from some of the world’s largest media companies. Redgate Ventures Group operates primarily in China which was conceived in 2007 and built upon two key acquisitions in 2008 in the outdoor and television industries of Beijing Yanghuang Shengshi Advertising Co. Ltd. (“Beijing Yanhuang”) and Shanghai Dianguang Media Broadcasting Company Ltd. (“Shanghai Dianguang”) respectively. Redgate Ventures has grown more quickly through both acquisition and organic expansion, and believes that the high level of fragmentation in the Chinese media market, combined with the sheer scale of the market opportunity, presents a compelling platform for consolidation. Through its subsidiaries, Redgate Ventures Group 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 crossmedia platform and expand its presence in the television advertisement business in PRC.

For the six months ended 31 December 2012, the Group recorded revenue of approximately HK\$30,370,000 were contributed by Redgate Venture Group and accounted for approximately 58.1% of the Group’s turnover.

Capital Structure

During the six months ended 31 December 2012, the convertible bonds amounted to HK\$163,000,000 were converted into 428,947,351 ordinary shares of the company.

During the six months ended 31 December 2012, the convertible notes amounted to HK\$170,500,000 were converted into 448,684,191 ordinary shares of the company.

On 26 October 2012, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 19,012,424 placing shares on a fully underwritten basis to the placee who is an independent third party at the placing price of HK\$0.06 per placing share. The placing was completed on 1 November 2012.

As at 31 December 2012, the Company’s issued share capital was HK\$99,170.61 and the number of its issued ordinary shares was 991,706,089 shares of HK\$0.001 each (“Shares”).

OUTLOOK

Outdoor advertising and television advertisements businesses

The board has formulated the group strategy and the management now is trying all their effort to achieve the target through action plans of organic growth and acquisition. The action plan of organic growth may include increasing the amount of inventory under the management of the existing subsidiaries; increasing the rates that Redgate Ventures Group charges advertisers to advertise on its media inventory as well as the rate of sell-through, or the occupancy of that inventory; expansion in 2nd and 3rd tier cities; acquiring new concessions etc. The action plan of acquisition may include acquiring additional outdoor billboard and display companies; acquiring additional television advertising time slots; acquiring other advertising related businesses etc.

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.

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

Save as the acquisition of 100% equity interest in Redgate Ventures mentioned in “Business Review”, there were no material acquisitions and disposals of investments by the Group during the six months ended 31 December 2012.

CONVERTIBLE BONDS/NOTES

The placing of the convertible bonds in aggregate principal amount of HK\$200,000,000 (“Placing CBs”) was completed on 29 August 2012. The net proceeds from the placing amounted to approximately HK\$194,000,000 was used to fund the cash portion of the consideration paid for acquisition of Redgate Ventures. The Placing CBs, with maturity date of 28 August 2014, is convertible into Shares at an initial conversion price of HK\$0.38 per Share during the conversion period. As at 31 December 2012, the Placing CBs with the principal amount of HK\$163,000,000 have been converted into Shares of the Company.

On 31 August 2012, the Company issued convertible notes with the principal amount of HK\$1,300,704,000 as consideration for acquisition 100% of Redgate Ventures (“Redgate CNs”). The Redgate CNs, with maturity date of 30 August 2015, is convertible into Shares at an initial conversion price of HK\$0.235 or HK\$0.38 per Share during the conversion period. As at 31 December 2012, the Redgate CNs with the principal amount of HK\$170,500,000 have been converted into Shares of the Company.

FOREIGN CURRENCY RISK

The reporting currencies of the Group is Hong Kong dollars (“HK\$”).

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

As at 31 December 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 31 December 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.

EMPLOYEES

The number of employees (including Directors) was 124 as at 31 December 2012 (2011: 60), and the total staff costs (including Directors’ remuneration) for the six months ended 31 December 2012 was approximately HK\$7,054,000 (2011: HK\$3,405,000). Other benefits provided by the Group to the employees include MPF and medical coverage.

SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

The Company’s pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) was adopted on 5 July 2002 and the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 (“Prospectus”). There were 63,070 share options granted to the grantees. Up to 31 December 2012, there is no option ranted and outstanding under the Pre-IPO Share Option Scheme. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 31 December 2012	Option period	Exercise price per share
		Outstanding as at 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	5 July 2002	12,614	-	-	(12,614)	-	5 July 2002 to 4 July 2012	HK\$106.54
Total		96,000	-	-	(12,614)	-		

(ii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section head “Share Option Schemes” in Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 31 December 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:

	Date of grant	Number of share options				Outstanding as at 31 December 2012	Option period	Exercise price per share
		Outstanding as at 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period			
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\$37.680
	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\$27.780
Total		621,459	-	-	-	621,459		

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

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

As at 31 December 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 31 December 2012, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 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 member of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares interested	Number of underlying Shares interested	Total number of Shares and underlying Shares interested	Approximately percentage of shareholding
Media Chief Limited	Beneficial owner	-	701,838,168		
	Interested of controlled corporation (Note 1)	281,789,475	630,263,157	1,613,890,800	162.74%
Carroway Holdings Limited	Beneficial owner	281,789,475	630,263,157	912,052,632	91.97%
United Industrial Services Limited	Beneficial owner	-	245,636,104	245,636,104	24.77%
Kuwait China Investment Company K.S.C	Beneficial owner	-	184,458,918	184,458,918	18.60%
AsiaStar IT Fund LP	Beneficial owner	-	173,227,245	173,227,245	17.47%
Uni-Asia Limited	Beneficial owner	-	147,147,675	147,147,676	14.84%
Universal Portfolio Holdings Limited	Interested of controlled corporation (Note 2)	-	147,147,676	147,147,676	14.84%
Yasmine Holdings Limited	Interested of controlled corporation (Note 3)	-	147,147,676	147,147,676	14.84%
Hamilton Trust and Management Company Limited	Interested of controlled corporation (Note 4)	-	147,147,676	147,147,676	14.84%
Al-Saleh Fawzi M	Interested of controlled corporation (Note 5)	-	147,147,676	147,147,676	14.84%
Peter Bush Brack	Beneficial owner	-	138,421,052	138,421,052	13.96%
Richmond Capital Group Limited	Beneficial owner	-	99,844,484	99,844,484	10.07%
Creative Sky Holdings Limited	Beneficial owner	-	85,551,304	85,551,304	8.63%
Shiny Reach Limited	Beneficial owner	72,368,421	-	72,368,421	7.30%
Shunleestat (BVI) Limited	Beneficial owner	-	63,157,894	63,157,894	6.37%
Pheby Paul John	Beneficial owner	-	55,789,473	55,789,473	5.63%

Notes:

1. Carraway Holdings Limited is beneficially owned as to 51% by Media Chief Limited. Therefore Media Chief Limited is deemed to be interested in the shares of Carraway Holdings Limited.
2. Uni-Asia Limited is beneficially owned as to 100% by Universal Portfolio Holdings Limited. Therefore Universal Portfolio Holdings Limited is deemed to be interested in the shares of Uni-Asia Limited.
3. Universal Portfolio Holdings Limited is beneficially owned as to 90% by Yasmine Holdings Limited. Therefore Yasmine Holdings Limited is deemed to be interested in the shares of Universal Portfolio Holdings Limited.
4. Yasmine Holdings Limited is beneficially owned as to 100% by Hamilton Trust and Management Company Limited. Therefore Hamilton Trust and Management Company Limited is deemed to be interested in the shares of Yasmine Holdings Limited.
5. Hamilton Trust and Management Company Limited is beneficially owned as to 100% by Al-Saleh Fawzi M. Therefore Al-Saleh Fawzi M is deemed to be interested in the shares of Hamilton Trust and Management Company Limited.

Save as disclosed above, as at 31 December 2012, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 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 member of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 December 2012, no director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party.

DIRECTORS' INTEREST IN COMPETING INTERESTS

As at 31 December 2012, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

MANAGEMENT CONTRACTS

As at 31 December 2012, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 2012, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

CODE ON CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 ("Securities Code") of the GEM Listing Rules. During the six months ended 31 December 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.

LITIGATION/CONTINGENT LIABILITIES

- (a) On 31 August 2010, a Writ of Summons was issued by Mr. Lim Yi Shenn as the plaintiff (“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, “Defendants”). The Plaintiff claimed against each of the Defendants for damages for various misrepresentations allegedly made by the Defendants 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 for misrepresentation in the amount of approximately HK\$15,838,000 and/or, alternatively, the return of a sum of HK\$10,000,000.00 by the Defendants based upon an alleged admission of liability made by the Defendants. The Defendants denied the Plaintiff’s claims and have sought legal advice in this regard.

The parties had attempted mediation but it produced no fruitful result at all. As the mediation failed, the parties proceeded further with the proceedings and completed discovery of all documentary evidence. On 24th May 2012 the Defendants jointly took out an application for leave to adduce expert evidence from independent witnesses on issues revolving around the top-up placement of shares of the Company in June 2008. The hearing of the said application was listed on 17th September 2012. After the hearing, the Court declined to grant leave for adducing expert evidence.

As a result of the Court’s decision of not allowing expert evidence, Counsel reviewed all pleadings and evidence so far disclosed and advised on further amendments to the Defendants’ Defence and the filing of further witness statements as to facts in order to fortify the Defendants’ case. In March 2013 further amendments were made to the Defendants’ Defence and Supplemental Witness Statements of the Defendants as well as Witness Statement from independent witness were exchanged with leave of the Court. Another case management conference was fixed for 11th July 2013 and it is expected that leave for setting down the case for trial will be granted by the Court at the forthcoming case management conference. The Defendants are ready to proceed with trial of this case.

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 defence to the claims. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

- (b) On 14 January 2011, legal proceedings were commenced 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.

In the said case 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 the Interim Results.

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 Interim Results.

- (c) According to relevant regulations in the PRC, all outdoor advertisements must be registered with the local branches of the State Administration for Industry and Commerce (“SAIC”) to obtain a licence for such advertisement. As some of the Group’s outdoor advertisements for which the Group is responsible to obtain such licences under contract have not been obtained, the respective local SAIC may impose administrative sanctions on the Group, such as fines and confiscation of the Group’s income generated from these unregistered outdoor advertisements minus the relevant costs of rental and relevant taxes. The Group entered into supplemental agreements with certain respective suppliers of the outdoor advertising media to specify that the said suppliers would assume the responsibilities for the examination and approval of their respective outdoor advertisements. The Group has sought legal advice and the directors have assessed that it is possible but not probable that the Group may be subject to those sanctions. The directors have estimated the potential maximum fines and confiscation of income approximately HK\$ 9,896,000 as at 31 December 2012. In addition, the respective local SAIC may also request the Group to discontinue the operation of the unregistered outdoor advertisements. In such circumstances, the Group’s customers may claim against the Group for breach of contracts. Since it cannot be reliably predicted whether a claim will be made by the customers against the Group and the potential damages to be claimed highly depend on how much damage would have been made to the customers and the Group does not have such information. In the opinion of the directors, the potential liabilities of Group in relation to the above potential breach of contracts cannot be reliably estimated.

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.

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 (“AC”) are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this interim report, the AC comprises of three members, Mr. Lee Ho Yiu, Thomas, Ms. Lu Di and Mrs. Kwan Leung, Anna, all are being independent non-executive Directors. The Interim Results 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 Mr. Lee Ho Yiu, Thomas.

REMUNERATION COMMITTEE

A remuneration committee (“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 interim report, the RC comprised three members, namely Mr. Ang Wing Fung, being an executive Director, Mr. Lee Ho Yiu, Thomas 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 (“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 interim report, the NC comprised of three members, namely Mr. Chen Chuan, being an executive Director, Mr. Lee Ho Yiu, Thomas 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.

CORPORATE GOVERNANCE PRACTICES

Throughout the period, the Company has been fully compliant with all the code provisions set out in Appendix 15 Corporate Governance Code (the “CG Code”) of the GEM Listing Rules with the exception of the following deviation:

Code provision C.1.2

Code Provision C.1.2 of the CG Code stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 5.01 and Chapter 17.

Deviation

Management did not provide all members of the Board with monthly updates during the period. After the acquisition of Redgate Ventures Group mentioned in the Business Review, the Company subject to the restructuring and update the accounting system. The restructuring and accounting system update was completed in early of June. The Company will adopt the Code Provision C.1.2. of the CG Code after that.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this interim report, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the six months ended 31 December 2012.

PUBLICATION OF INFORMATION ON WEBSITES

This interim 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.

By order of the Board
Chen Chuan
Chairman

Hong Kong, 27 June 2013

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

Executive Directors:

Mr. Chen Chuan (*Chairman*)
Mr. Ang Wing Fung
Mr. Shih Yau Ting, Jackson

Independent Non-Executive Directors:

Mr. Lee Ho Yiu, Thomas
Ms. Lu Di
Mrs. Kwan Leung, Anna