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

Annual Report 12/13

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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Inno-Tech Holdings Limited (“Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Inno-Tech Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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.

Contents

Corporate Information	3
Five-year Financial Summary	4
Chairman’s Statement	5
Management Discussion and Analysis	6
Directors and Senior Management Profile	11
Report of the Directors	13
Corporate Governance Report	24
Independent Auditors’ Report	33
Consolidated Statement of Profit or Loss	35
Consolidated Statement of Profit or Loss and Comprehensive Income	36
Consolidated Statement of Financial Position	37
Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Consolidated Financial Statements	43

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. Cheng Wai Hei, FCCA, ACS, IACS
(appointed on 7 May 2013)
Mr. Tse Wing York, CPA
(resigned 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
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

COMPANY WEBSITE

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

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

PRINCIPAL SHARE REGISTRARS 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 2013 HK$'000	Year ended 30 June 2012 HK$'000	Year ended 30 June 2011 HK$'000	Year ended 30 June 2010 HK$'000 (restated)	Year ended 30 June 2009 HK$'000
Turnover	**120,866**	48,283	30,140	9,345	78,112
Cost of sales	**(264,117)**	(53,980)	(48,768)	(19,889)	(80,698)
Gross (loss)	**(143,251)**	(5,697)	(18,628)	(10,544)	(2,586)
Other revenue and other net income	**1,345**	1,050	7,530	14,634	5,487
Marketing and promotion expenses	**(2,240)**	(2,052)	(2,849)	(4,691)	(4,660)
Administrative expenses and others	**(1,576,935)**	(47,529)	(75,707)	(51,418)	(389,076)
Loss before income tax	**(1,721,081)**	(54,228)	(89,654)	(52,019)	(390,835)
Income tax	**148,424**	2,634	3,902	9,056	(165)
(Loss) from continuing operations	**(1,572,657)**	(51,594)	(85,752)	(42,963)	(391,000)
Profit/(loss) for the year from discontinued operations	**(106)**	–	721	(184,429)	–
(Loss) for the year	**(1,572,763)**	(51,594)	(85,031)	(227,392)	(391,000)
(Loss) attributable to:–					
Owners of the Company	**(1,563,182)**	(47,160)	(82,478)	(140,706)	(391,000)
Non-controlling interest	**(9,581)**	(4,434)	(2,553)	(86,686)	–
	(1,572,763)	(51,594)	(85,031)	(227,392)	(391,000)

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				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**655,713**	271,900	311,365	156,725	144,147
Total liabilities	**(1,561,742)**	(59,915)	(54,253)	(101,481)	(61,163)
Shareholders' funds	**(902,102)**	206,756	247,449	45,795	82,984
Non-current assets	**520,765**	173,376	136,422	96,138	122,739
Current assets	**134,948**	98,524	174,943	60,587	21,408
Current liabilities	**(389,315)**	(48,798)	(33,046)	(47,402)	(32,706)
Non-current liabilities	**(1,172,427)**	(11,117)	(21,207)	(54,079)	(28,457)

Chairman's Statement

On behalf of the Board of Directors, I am pleased to report the Group's results for the year ended 30 June 2013.

During the last year, the global economy faced numerous difficulties. European countries continued to be clouded by the haze of the sovereign debt crisis. The U.S. fiscal cliff was also imminent. As a result, the process of global economic recovery became very slow. In the face of a complex and challenging foreign economic situation, China's economic development was also affected. The gross national product increased by 7.8% year on year in 2012, which was the slowest growth recorded since 1999. A slowdown in the pace of economic growth in China inevitably had an impact on the advertising industry closely related to the economic cycle. Despite the challenging environment, we managed to grow our revenue by 181.8% to 121 million.

On 31 August 2012, we have completed the acquisition of 100% equity interest of Redgate Ventures Limited ("Redgate Ventures") and its subsidiaries (hereafter collectively referred to as the "Redgate Ventures Group"). 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. The acquisition of Redgate Ventures represents a horizontal expansion of the media platform currently provided by the Group and allows the Group to deploy the outdoor advertising and media advertisement business in PRC. I believe that the potential within the advertising and marketing industry in PRC could be realised and stable growth would be expected in the future.

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, 27 September 2013

Management Discussion and Analysis

FINANCIAL PERFORMANCE

The Group reported a turnover from continuing operations of approximately HK$120,866,000 for the year ended 30 June 2013, representing a increase of approximately 181.8% compared with the turnover of approximately HK$42,889,000 for the year ended 30 June 2012. During the 12 months of operation, all the turnover contributed from advertising operations.

The Group's loss before income tax as at 30 June 2013 was approximately HK$1,721,081,000 (2012: HK$47,591,000). The loss was mainly resulted from incurrence of impairment loss in respect of goodwill, intangible assets and available-for-sale financial assets, amortisation of intangible assets and finance costs on the promissory notes and convertible notes.

Basic loss per share from continuing operations as at 30 June 2013 was HK$15.23 (2012: HK$4.26).

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2013 (2012: Nil).

Impairment loss recognized in respect of goodwill and intangible assets

During the year ended 30 June 2013, as the result of the unsatisfactory performance of buses and bus stations advertising business ("Bus Advertising Business"), billboards and outdoor display spaces advertising ("Outdoor Advertising Business") and television advertisements business ("Television Advertisements Business"), the Group carried out a review of the recoverable amount of these cash generating units. The review led to the recognition of an impairment loss of approximately HK$62,211,000, HK$1,230,581,000 and HK$130,334,000 for the Bus Advertising Business, Outdoor Advertising Business and Television Advertisements Business respectively, which have been recognised in profit or loss. The impairment losses have been included in the consolidated statement of comprehensive income.

Impairment loss recognized in respect of available-for-sale financial assets

During the year ended 30 June 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire 19% of total equity interests of China New Media at an aggregate consideration of approximately HK$78 million, comprising cash of HK$39 million and a convertible bond with principal amount of approximately HK$39 million. China New Media is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings.

Due to adverse financial position and the reduced number of contracts on hand and recognised the impairment loss amounted to HK$77,766,000 in the consolidated statement of comprehensive income.

BUSINESS REVIEW

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 Group operates primarily in China which 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. 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 customers. 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, file consulting, and television program production.

For the year ended 30 June 2013, the Group recorded revenue of approximately HK$81,184,000 were contributed by Redgate Ventures Group and accounted for approximately 67% of the Group's turnover.

Bus advertising business in PRC

In last year, China's economic development was affected by the complex and challenging foreign economic situation, new inventories and capacity were added by existing advertising platform operators, competition between outdoor advertising and other advertising formats continued to be keen.

Faced with a tough operating environment, the Group's bus advertising business in PRC reported a 7.5% drop in revenue to HK$$39,682,000 from HK$42,889,000 a year ago.

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 ceased the software application solutions operations in 2013.

Management Discussion and Analysis

PROSPECTS

The Board will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the Shareholders.

The Board will take a cautious and conservative approach in the evaluation and timing of potential projects or investments, including and constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and Company's shareholders' returns. As the Directors have experienced in receiving proposals from potential vendors in respect of potential investment projects from time to time, the Board considers there are possibilities that the Group would identify suitable investment opportunities having greater potential returns which may broaden the Group's business scope, provide additional income sources, and may enhance the earnings per share of the Group, have arisen and will arise from time to time by taking advantage of the good market sentiments in future.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2013, the net current liabilities of the Group were approximately HK$254,367,000 (2012: Net current assets HK$49,726,000). Out of the current assets as at 30 June 2013, approximately HK$25,133,000 (2012: HK$4,419,000) were cash and cash equivalents. The current ratio of the Group as at 30 June 2013 was 35% (2012: 202%). As at 30 June 2013, short-term bank borrowings in aggregate amounted to approximately HK$20,400,000 (2012: HK$4,400,000). Net debt (i.e. total bank borrowings less cash and cash equivalent and pledged deposits) as at 30 June 2013 was HK$4,733,000 (2012: HK$19,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 June 2013 was Nil (2012: Nil).

CAPITAL STRUCTURE

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.

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.

On 28 December 2012, 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 ("Share Consolidation"). Following the passing of a special resolution of the company's special general meeting on 28 January 2013, the Share Consolidation was completed on 29 January 2013.

During the year ended 30 June 2013, the convertible bonds amounted to HK$163,000,000 were converted into 42,894,735 (adjusted number of shares upon completion of Share Consolidation) ordinary shares of the Company.

CAPITAL STRUCTURE (continued)

During the year ended 30 June 2013, the convertible notes amounted to HK$303,253,752 were converted into 79,825,503 (adjusted number of Shares upon completion of Share Consolidation) ordinary shares of the company.

As at 30 June 2013, the Company's issued share capital was HK$1,539,618.15 and the number of its issued ordinary shares was 153,961,815 shares of HK$0.01 each ("Shares").

Conversion of convertible instruments

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 will be 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 the conversion price of HK$3.80 (adjusted upon completion of Share Consolidation) per Share during the conversion period. As at 30 June 2013, 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$1,160,000,000 as consideration for acquisition 100% of Redgate Ventures ("Redgate CN1 & CN2"). The Redgate CN1 & CN2, with maturity date of 30 August 2015, is convertible into Shares at the conversion price of HK$3.80 (adjusted upon completion of Share Consolidation) per Share during the conversion period. As at 30 June 2013, the Redgate CN1 & CN2 with the principal amount of HK$303,118,862 have been converted into Shares of the Company.

On 31 August 2012, the Company issued convertible notes with the principal amount of HK$140,704,000 as consideration for acquisition 100% of Redgate Ventures ("Redgate CN3"). The Redgate CN3, with maturity date of 30 August 2015, is convertible into Shares at the conversion price of HK$2.35 (adjusted upon completion of Share Consolidation) per Share during the conversion period. As at 30 June 2013, the Redgate CN3 with the principal amount of HK$134,890 have been converted into Shares of the Company.

FOREIGN CURRENCY EXCHANGE RISK

The reporting currencies of the Group is Hong Kong Dollars ("HKD").

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

As at 30 June 2013, 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 HKD functional currency Group entities.

As at 30 June 2013, 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 2013 and 2012.

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR 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 year ended 30 June 2013.

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 106 as at 30 June 2013 (2012: 42), and the total remuneration for the year ended 30 June 2013 was approximately HK$18,234,000 (2012: HK$6,873,000). 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 2013 (2012: Nil) and no interim dividend was paid during the year (2012: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period of the Group are set out in Note 48 to the financial statements.

Directors and Senior Management Profile

DIRECTORS

Mr. Chen Chuan, *aged 53*

Chairman and Executive Director

Mr. Chen Chuan ("Mr. Chen") 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. Chen currently does not hold any directorship in any public listed company.

Mr. Ang Wing Fung, *aged 40*

Executive Director

Mr. Ang Wing Fung ("Mr. Ang") is an executive director of the Group. Mr. Ang is responsible for the Group's financial operation and management. Mr. Ang is the Company Secretary and Financial Controller of China Fortune Investments (Holdings) Limited and the independent non-executive director of UKF (Holdings) Limited. All the aforesaid companies are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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.

Mr. Shih Yau Ting, Jackson, *aged 26*

Executive Director

Mr. Shih Yau Ting ("Mr. Shih") is an executive director of the Group. Mr. Shih is responsible for the Investors' relationship of the Group. Mr. Shih holds a Bachelor of Science Degree (Management) from the Krannert School of Management at Purdue University, the United States of America. Since his graduation in 2009, he is engaged in the e-commerce industry and business investment works in both Hong Kong and Mainland China and gains extensive experience in online trading and investment field. Apart from his directorship with the Group, Mr. Shih currently does not hold any directorship in any public listed company.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lee Ho Yiu, *aged 35*

Independent Non-Executive Director and Chairman of Audit Committee

Lee Ho Yiu, Thomas ("Mr. Lee") is an independent non-executive director and the chairman of audit committee of the Group. Mr. Lee has extensive experience in auditing, accounting and financial management. Mr. Lee is currently a partner of Messrs. Lee, Au & Co., Certified Public Accountants. Mr. Lee previously worked as an assistant financial controller in a multinational luxury brands group and also worked at one of the big four international accounting firms. Mr. Lee is a fellow of the Association of Chartered Certified Accountants, a practicing member of the Hong Kong Institute of Certified Public Accountants, a certified tax advisor and member of the Hong Kong Taxation Institute, a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the ISACA. Mr. Lee holds a bachelor's degree in science from the University of Warwick and a second bachelor's degree in Chinese law from Tsinghua University（清華大學）in Beijing. Mr. Lee is currently an independent non-executive director of Dongwu Cement International Limited (stock code: 00695), Suncorp Technologies Limited (stock code: 01063) and Active Group Holdings Limited (stock code: 01096). All the aforesaid companies are listed on the Main Board of the Stock Exchange.

Ms. Lu Di, *aged 30*

Independent Non-Executive Director and Audit Committee Member

Ms. Lu Di ("Ms. Lu") 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. Apart from her directorship with the Group, Ms. Lu currently does not hold any directorship in any public listed company.

Mrs. Kwan Leung, Anna, *aged 51*

Independent Non-Executive Director and Audit Committee Member

Mrs. Kwan Leung, Anna ("Mrs. Kwan") is an independent non-executive Director and a member of audit committee of the Group. 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. Cheng Wai Hei, *aged 32*

Company Secretary

Mr. Cheng Wai Hei ("Mr. Cheng") was appointed as the Company Secretary with effect from 7 May 2013. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants, an associated member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Cheng has over 8 years of experience in auditing and financial management.

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 30 June 2013.

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.

SEGMENT INFORMATION

An analysis of the performance of the Group for the year by operating segment is set out in Note 14 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's consolidated loss for the year ended 30 June 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 35.

The Directors do not recommend the payment of a final dividend in respect of the year ended 30 June 2013.

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 37 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company are set out in Note 39 to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year (2012: HK$Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the Bye-laws of Bermuda which would oblige the Company to offer new shares on a pro rate basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 27.9% and 27.2% of the total sales and purchases for the year, respectively.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

The Group's largest customer and supplier accounted for approximately 12.6% and 10.3% of the total sales and purchases for the year, respectively.

None of the Directors, their associates or Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or suppliers.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 30 June 2013, which do not constitute connected transactions under the GEM Listing Rules are disclosed in Note 46 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
Mr. Shih Yau Ting, Jackson *(appointed on 18 February 2013)*

Independent non-executive Directors:

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)*

In accordance with Bye-law 86 and 87 of the Company's Bye-laws, Mr. Shih Yau Ting, Jackson and Mr. Lee Ho Yiu, Thomas will hold office until the forthcoming annual general meeting; Mr. Shih Yau Ting, Jackson and Mr. Lee Ho Yiu, Thomas 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 renewal services contract with the Company for a term of two years commencing from 19 January 2013 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 2013, 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 years 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 2013, none of these service contracts have been terminated by either party.

Mr. Shih Yau Ting, Jackson who is executive Director, entered into the services contract with the Company for a term of two year commencing from 18 February 2013 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 2013, none of these service contracts have been terminated by either party.

DIRECTORS' SERVICE CONTRACTS (continued)

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 2012 and payable on or before 30 June 2013.

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 11 and 12 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 Mr. Lee Ho Yiu, Thomas, 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 2013, there are no options granted and outstanding under the Pre-IPO share Option Scheme. 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 2013	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 2013 there were 169,954* share options granted to the grantees and there were 107,809* shares options under the Post-IPO Share Option Scheme exercised and no options has been cancelled. The remaining 62,145* 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 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the period upon Completion of Shares Consolidation	Outstanding as at 30 June 2013	Option period	Exercise price per share
Other employees and consultants	6 January 2004	28	–	–	–	(26)	2	6 January 2004 to 5 January 2014	HK$837.20
	20 September 2005	2,628	–	–	–	(2,365)	263	20 September 2005 to 19 September 2015	HK$433.80
	23 August 2007	183,375	–	–	–	(165,037)	18,338	23 August 2007 to 22 August 2017	HK$2,397.40
	9 September 2008	81,069	–	–	–	(72,962)	8,107	9 September 2008 to 8 September 2018	HK$662.20
	11 September 2008	57,814	–	–	–	(52,033)	5,781	11 September 2008 to 10 September 2018	HK$742.00
	16 December 2008	57,814	–	–	–	(52,033)	5,781	16 December 2008 to 15 December 2018	HK$290.00
	17 February 2009	31,535	–	–	–	(28,381)	3,154	17 February 2009 to 16 February 2019	HK$376.80
	29 May 2009	31,515	–	–	–	(28,381)	3,154	29 May 2009 to 28 May 2019	HK$334.80
	31 December 2009	17,987	–	–	–	(16,189)	1,798	31 December 2009 to 30 December 2019	HK$171.20
	15 January 2010	157,674	–	–	–	(141,907)	15,767	15 January 2010 to 14 January 2020	HK$277.80
	Total	621,459	–	–	–	(559,314)	62,145		

* *Adjusted number of share options upon completion of Shares Consolidation.*

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 2013, 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 2013, 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	–	70,183,816		
	Interested of controlled corporation (Note 1)	28,178,948	63,026,315	161,389,079	104.82%
Carraway Holdings Limited	Beneficial owner	28,178,948	63,026,315	91,205,263	59.24%
United Industrial Services Limited	Beneficial owner	8,368,550	16,195,080	24,563,630	15.95%
Uni-Asia Limited	Beneficial owner	–	24,563,630	24,563,630	15.95%
Universal Portfolio Holdings Limited	Interested of controlled corporation (Note 2)	–	24,563,630	24,563,630	15.95%
Yasmine Holdings Limited	Interested of controlled corporation (Note 3)	–	24,563,630	24,563,630	15.95%
Hamilton Trust and Management Company Limited	Interested of controlled corporation (Note 4)	–	24,563,630	24,563,630	15.95%

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS (continued)

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
Al-Saleh Fawzi M	Interested of controlled corporation (Note 5)	–	24,563,630	24,563,630	15.95%
AsiaStar IT Fund LP	Beneficial owner	5,903,359	12,856,061	18,759,420	12.18%
Kuwait China Investment Company K.S.C	Beneficial owner	–	18,444,589	18,444,589	11.98%
Peter Bush Brack	Beneficial owner	4,715,838	9,126,266	13,842,104	8.99%
Richmond Capital Group Limited	Beneficial owner	3,401,588	6,582,860	9,984,448	6.49%
Creative Sky Holdings Limited	Beneficial owner	2,914,635	5,640,494	8,555,129	5.56%

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 30 June 2013, 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.

SUBSIDIARIES

Details of the Company's subsidiaries at 30 June 2013 are set out in Note 18 to the financial statements.

CONVERTIBLE SECURITIES

Details of convertible securities of the Group are set out in Note 34 to the financial statements.

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.

DIRECTORS' INTERESTS IN CONTRACTS

As at 30 June 2013, 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 30 June 2013, 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 30 June 2013, 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.

COMPETING AND CONFLICT OF INTERESTS

As at 30 June 2013, 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 year ended 30 June 2013, 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 32.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2013, the Group employed a total of 106 (2012: 42) employees (including Directors). Staff costs, including Directors' remuneration, increased by approximately 165% to approximately HK$18,234,000 (2012: approximately HK$6,873,000). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed regularly. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees.

The Company adopted the New Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the New Scheme during the Year.

RETIREMENT BENEFIT PLANS

Other than operating the statutory mandatory provident fund scheme for Hong Kong employees and participating in social insurance for its employees in the PRC in accordance with the relevant PRC regulations, the Group has not operated any other retirement benefits schemes for the Group's employees.

CONTINGENT LIABILITY

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.

CONTINGENT LIABILITY (continued)

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$5,885,000 as at 30 June 2013. 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.

LITIGATION

(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 24 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 17 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, the 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. On 10 July 2013 the Court granted leave to set the case down for trial. The trial of the case was fixed for 3 November 2014 to 14 November 2014 (10 days reserved).

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.

LITIGATION (continued)

(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 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.

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 ("AC") are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this 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 AC held four meetings during the year. The Group's audited results for the year ended 30 June 2013 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 annual 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 1 February 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, 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.

AUDITORS

The consolidated financial statements for the year ended 30 June 2013 and 2012 have been audited by HLB Hodgson Impey Cheng Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

The consolidated financial statements for the year ended 30 June 2011 were audited by Crowe Horwath who resigned as auditors on 29 June 2012. HLB Hodgson Impey Cheng Limited was appointed as auditors on 20 July 2012 to fill the casual vacancy arising from the resignation of Crowe Horwath.

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

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, 27 September 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The board of directors of the Company believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

Throughout the year ended 30 June 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 15 of the GEM Listing Rules, save and except for the following deviation including considered reasons:

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.

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 ("Securities Code") of the GEM Listing Rules. During the year ended 30 June 2013, 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 ten members are as follows:

Executive Directors:

Mr. Chen Chuan
Mr. Ang Wing Fung
Mr. Shih Yau Ting, Jackson *(appointed on 18 February 2013)*

Independent non-executive Directors:

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)*

Biographical details of each Director is set out in the section headed "Directors and Senior Management" on pages 11 to 12 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.

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.

BOARD OF DIRECTORS (continued)

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.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group.

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.

All Directors, including independent non-executive Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

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.

BOARD OF DIRECTORS (continued)

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 2013, 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
Mr. Shih Yau Ting, Jackson***	2/13
Mr. Lee Ho Yiu, Thomas**	4/13
Ms. Lu Di	13/13
Mrs. Kwan Leung, Anna	13/13
Ms. Wong On Yee*	9/13

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

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 are 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 Mr. Lee Ho Yiu, Thomas, 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.

Each of the independent non-executive Director has made written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non– executive Directors meet the independence guidelines as set out in the Rule 5.09 of the GEM Listing Rules that could materially interfere with the exercise of their judgment.

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 and renew on 19 January 2013; in the case of Mr. Ang Wing Fung, his service term commenced on 19 February 2010 and renew on 19 February 2012; and in the case of Mr. Shih Yau Ting, Jackson, his service term commenced on 18 February 2013.

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 Mr. Lee Ho Yiu, Thomas, his appointment term commenced on 21 January 2013; in the case of Ms. Lu Di, her appointment term commenced on 15 December 2010 and renew on 15 December 2012; and in the case of Mrs. Kwan Leung, Anna, her appointment term commenced on 2 April 2012.

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 ("AC") of the Company comprises all independent non-executive Directors and headed by Mr. Lee Ho Yiu, Thomas. 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).

AUDIT COMMITTEE (continued)

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

Name of members	Number of attendance
Mr. Lee Ho Yiu, Thomas**	2/4
Ms. Lu Di	4/4
Mrs. Kwan Leung, Anna	4/4
Ms. Wong On Yee*	2/4

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

NOMINATION COMMITTEE

The nomination committee ("NC") was set up on 18 February 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, Mr. Lee Ho Yiu, Thomas and Mrs. Kwan Leung, Anna, are all being independent non-executive Director. The role and function of the NC include identifying 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	2/2
Mr. Lee Ho Yiu, Thomas**	1/2
Mrs. Kwan Leung, Anna	2/2
Ms. Wong On Yee*	1/2

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

REMUNERATION COMMITTEE

The remuneration committee ("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, Mr. Lee Ho Yiu, Thomas 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 9 to the financial statements in this annual report.

The Company has conditionally adopted the Share Option Scheme ("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.

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	3/3
Mr. Lee Ho Yiu, Thomas**	1/3
Ms. Lu Di	3/3
Ms. Wong On Yee*	2/3

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

AUDITOR'S REMUNERATION

During the year ended 30 June 2013, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

	2013	2012
	HK$'000	HK$'000
Audit services	**1,000**	750
Non-audit services	**297**	265

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 above statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are prudent and reasonable in accordance with applicable accounting standards.

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

The company secretary of the Company ("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.

As at 30 June 2013, the Company Secretary is Mr. Cheng Wai Hei ("Mr. Cheng") and a written confirmation had been received by the Company from Mr. Cheng 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. Cheng 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

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 were engaged to audit the consolidated financial statements of Inno-Tech Holdings Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 148, which comprises the consolidated and Company statements of financial position as at 30 June 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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 as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Impairment of goodwill and intangible assets

Included in the consolidated statement of financial position as at 30 June 2013 was the goodwill and intangible assets of the Group with net carrying amounts of approximately HK$278,429,000 and HK$225,965,000 in relation to subsidiaries engaged in the outdoor advertising on billboards and outdoor display spaces and television advertisements. In view of continuous loss making since acquisitions of the subsidiaries, the directors are of the opinion that the carrying amounts of the goodwill and intangible assets in the consolidated statement of financial position exceeded their recoverable amounts, and therefore, based on business valuations as at the end of the reporting period, an impairment loss on goodwill of approximately HK$947,825,000 and an impairment loss on intangible assets of approximately HK$413,090,000 were made. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used by the directors in arriving at the business valuations performed as at the end of the reporting period, and therefore as to whether the carrying amounts of the goodwill and intangible assets as at 30 June 2013 of approximately HK$278,429,000 and HK$225,965,000 and the impairment losses on goodwill and intangible assets provided during the year then ended of approximately HK$947,825,000 and HK$413,090,000 are fairly stated. Any adjustment to the goodwill and intangible assets and impairment losses would have a consequential impact on the Group's net liabilities as at 30 June 2013 and its results for the year then ended, the amount of the interests in subsidiaries in the Company's statement of financial position as at 30 June 2013 and the results of the Company for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

As disclosed in note 3(b) to the consolidated financial statements, the Group incurred a gross loss of approximately HK$143,251,000 and a loss attributable to owners of the Company of approximately HK$1,563,182,000 for the year ended 30 June 2013 and had net liabilities and net current liabilities of approximately HK$906,029,000 and HK$254,367,000 as at 30 June 2013 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 3(b) to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable. Accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the net liabilities of the Group and the Company as at 30 June 2013 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 27 September 2013

Consolidated Statement of Profit or Loss

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Continuing operations			
Turnover	5	**120,866**	42,889
Cost of sales		**(264,117)**	(49,807)
Gross loss		**(143,251)**	(6,918)
Other revenue	6	**85**	272
Other net income	6	**1,260**	152
Marketing and promotion expenses		**(2,240)**	(1,602)
Administrative expenses		**(35,625)**	(38,199)
Finance costs	7	**(45,171)**	(1,173)
Changes in fair value of trading securities		**(15)**	(6,865)
Changes in fair value of derivative financial instruments		**510**	(852)
Change in fair value of purchase consideration payable		**4,258**	7,594
Impairment loss on intangible assets	16	**(426,322)**	–
Impairment loss on goodwill	17	**(996,804)**	–
Impairment loss on available-for-sale financial assets	20	**(77,766)**	–
Loss before income tax	8	**(1,721,081)**	(47,591)
Income tax	9	**148,424**	2,692
Loss for the year from continuing operations		**(1,572,657)**	(44,899)
Discontinued operation			
Loss for the year from discontinued operation	10	**(106)**	(6,695)
Loss for the year		**(1,572,763)**	(51,594)
Loss for the year attributable to:			
Owners of the Company		**(1,563,182)**	(47,160)
Non-controlling interests		**(9,581)**	(4,434)
		(1,572,763)	(51,594)
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic (HK$ per share)	13	**(15.23)**	(4.96)
– Diluted (HK$ per share)	13	**(15.23)**	(4.96)
From continuing operations			
– Basic (HK$ per share)	13	**(15.23)**	(4.26)
– Diluted (HK$ per share)	13	**(15.23)**	(4.26)

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

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(1,572,763)**	(51,594)
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,035)**	(27)
Total comprehensive loss for the year	**(1,573,798)**	(51,621)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(1,563,671)**	(47,187)
Non-controlling interests	**(10,127)**	(4,434)
	(1,573,798)	(51,621)

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

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**870**	1,929
Intangible assets	16	**241,231**	44,468
Goodwill	17	**278,429**	48,979
Available-for-sale financial assets	20	**235**	78,000
		520,765	173,376
Current assets			
Trading securities	22	**24**	39
Accounts receivable	24	**31,944**	4,837
Prepayments, deposits and other receivables	25	**57,651**	8,140
Prepaid advertising placement service costs	26	**18,699**	–
Deposit for acquisition of a subsidiary		**–**	80,000
Derivative financial assets	34	**126**	–
Tax recoverable	35	**1,371**	1,089
Cash and cash equivalents	28	**25,133**	4,419
		134,948	98,524
Current liabilities			
Trade payables, accrued expenses and other payables	29	**334,148**	39,944
Purchase consideration payable		**196**	4,454
Borrowings	32	**20,400**	4,400
Derivative financial liabilities	34	**1,510**	–
Tax payable	35	**33,061**	–
		389,315	48,798
Net current (liabilities)/assets		**(254,367)**	49,726
Total assets less current liabilities		**266,398**	223,102

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Promissory notes	33	**152,563**	–
Convertible notes	34	**947,094**	–
Deferred taxation	36	**72,770**	11,117
		1,172,427	11,117
Net (liabilities)/assets		**(906,029)**	211,985
Equity			
Share capital	37	**1,540**	95
Reserves	39(a)	**(903,642)**	206,661
Equity attributable to owners of the Company		**(902,102)**	206,756
Non-controlling interests	39(a)	**(3,927)**	5,229
Total equity		**(906,029)**	211,985

The consolidated financial statements on pages 35 to 148 were approved and authorised for issue by the Board of Directors on 27 September 2013 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 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**404**	533
Interests in subsidiaries	18	**–**	78,746
		404	79,279
Current assets			
Prepayments, deposits and other receivables	25	**479**	220
Amounts due from subsidiaries	21(a)	**–**	78,171
Deposit for acquisition of a subsidiary		**–**	80,000
Derivative financial assets	34	**126**	–
Cash and cash equivalents	28	**55**	838
		660	159,229
Current liabilities			
Accrued expenses and other payables	29	**15,467**	13,995
Purchase consideration payable		**196**	4,454
Derivative financial liabilities	34	**1,510**	–
Amount due to a subsidiary	21(b)	**9,390**	9,390
Borrowings	32	**20,400**	4,400
		46,963	32,239
Net current (liabilities)/assets		**(46,303)**	126,990
Total assets less current liabilities		**(45,899)**	206,269
Non-current liabilities			
Promissory notes	33	**152,563**	–
Convertible notes	34	**947,094**	–
Deferred taxation	36	**12,463**	–
		1,112,120	–
Net (liabilities)/assets		**(1,158,019)**	206,269
Equity			
Share capital	37	**1,540**	95
Reserves	39(b)	**(1,159,559)**	206,174
Equity attributable to owners of the Company		**(1,158,019)**	206,269

The financial statements on pages 35 to 148 were approved and authorised for issue by the Board of Directors on 27 September 2013 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.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	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$'000	Non-controlling interests HK$'000	Total 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 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 assets	–	–	–	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 and 1 July 2012	95	225,775	38,714	–	52,959	43	(446)	(110,384)	206,756	5,229	211,985
Loss for the year	–	–	–	–	–	–	–	(1,563,182)	(1,563,182)	(9,581)	(1,572,763)
Other comprehensive loss for the year:											
Exchange difference on consolidation	–	–	–	–	–	–	(489)	–	(489)	(546)	(1,035)
Total comprehensive loss for the year	–	–	–	–	–	–	(489)	(1,563,182)	(1,563,671)	(10,127)	(1,573,798)
Issue of convertible notes	–	–	–	28,011	–	–	–	–	28,011	–	28,011
Issue of convertible notes upon acquisition of subsidiaries	–	–	–	30,784	–	–	–	–	30,784	–	30,784
Deferred tax liability arising on convertible notes	–	–	–	(27,092)	–	–	–	–	(27,092)	–	(27,092)
Issue of shares pursuant to the conversion of convertible notes	1,228	436,681	–	(21,619)	–	–	–	–	416,290	–	416,290
Issue of shares pursuant to the placing	217	7,270	–	–	–	–	–	–	7,487	–	7,487
Share placement expenses	–	(667)	–	–	–	–	–	–	(667)	–	(667)
Non-controlling interests arising on acquisition of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	971	971
At 30 June 2013	**1,540**	**669,059**	**38,714**	**10,084**	**52,959**	**43**	**(935)**	**(1,673,566)**	**(902,102)**	**(3,927)**	**(906,029)**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Loss for the year		**(1,572,763)**	(51,594)
Adjustments for:			
Income tax	9	**(148,424)**	(2,634)
Depreciation	15	**1,586**	5,001
Write-down of inventories	23	**–**	238
Impairment loss on accounts receivable		**400**	–
Impairment loss on other receivables		**–**	431
Amortisation of intangible assets	16	**142,386**	14,640
Loss on derecognition of associates		**–**	1,785
Share of loss of associates		**–**	5
Interest income	6	**(61)**	(21)
Dividend income	6	**(2)**	(12)
Impairment loss on intangible assets	16	**426,322**	–
Impairment loss on goodwill	17	**996,804**	–
Impairment loss on available-for-sale financial assets	20	**77,766**	–
Change in fair value of derivative financial instruments		**(510)**	852
Loss on redemption of convertible notes		**–**	4,873
Loss on disposal of property, plant and equipment		**47**	28
Change in fair value of trading securities		**15**	6,865
Finance costs	7	**45,171**	1,173
Change in fair value of purchase consideration payable		**(4,258)**	(7,594)
Written-off of prepaid advertising placement service costs		**437**	–
Written-off of other receivables		**–**	(347)
Operating cash flows before movements in working capital		**(35,084)**	(26,311)
Increase in inventories		**–**	(238)
Decrease/(Increase) in accounts receivable		**4,889**	(1,024)
Increase in prepayments, deposits and other receivables		**(28,817)**	(3,044)
Decrease in prepaid advertising placement service costs		**34,712**	–
Increase in trade payables, accrued expenses and other payables		**33,187**	17,398
Cash generated from/(used in) operations		**8,887**	(13,219)
PRC tax paid		**(282)**	(2,650)
Net cash generated from/(used in) operating activities		**8,605**	(15,869)

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Decrease in trading securities		–	5,827
Payment for acquisition of available-for-sale financial assets		–	(19,000)
Deposit paid for acquisition of a subsidiary		–	(80,000)
Net cash outflows for acquisition of subsidiaries	40	**(199,795)**	–
Interest received		**61**	21
Dividend received		**2**	12
Payment for purchase of property, plant and equipment		**(113)**	(409)
Proceeds from disposal of property, plant and equipment		**7**	–
Repayment of promissory notes receivable	27	–	38,700
Net cash used in investing activities		**(199,838)**	(54,849)
Cash flows from financing activities			
Proceeds from borrowings		**16,000**	4,400
Net proceeds from issue of convertible notes		**194,000**	–
Net proceeds from issue of new shares		**6,820**	–
Interest paid		**(4,399)**	(4)
Redemption of convertible notes		–	(43,400)
Net cash generated from/(used in) financing activities		**212,421**	(39,004)
Net increase/(decrease) in cash and cash equivalents		**21,188**	(109,722)
Effect of foreign exchange rate changes		**(474)**	(31)
Cash and cash equivalents at the beginning of the year		**4,419**	114,172
Cash and cash equivalents at the end of the year	28	**25,133**	4,419

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")

In the current year, the Group has adopted all the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods on or after 1 July 2012.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfer of Financial Assets

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (continued)

The directors anticipate that the application of the other new and revised HKFRSs has no material impact on the results and the financial position of the Group.

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 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[2]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[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]
HK(IFRIC) – Int 21	Levies[2]

[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

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 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 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.

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors anticipate that the application of these five standards will have no impact on the Group's consolidated financial statements.

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 13 Fair Value Measurement

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 directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities 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)

HKAS 19 Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the application of this revised standard will have no impact on the Group's consolidated financial statements.

Annual Improvements to HKFRS 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- Amendments to HKAS 1 Presentation of Financial Statements;
- Amendments to HKAS 16 Property, Plant and Equipment; and
- Amendments to HKAS 32 Financial Instruments: Presentation

Amendments to HKAS 1

The amendments to HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

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

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

Annual Improvements to HKFRS 2009 – 2011 Cycle issued in June 2012 (continued)

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

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 Hong Kong Financial Reporting Standards, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group notwithstanding that:

- The Group had incurred a gross loss of approximately HK$143,251,000 and a loss attributable to the owners of the Company of approximately HK$1,563,182,000 for the year ended 30 June 2013; and

- The Group had consolidated net current liabilities and net liabilities of approximately HK$254,367,000 and HK$906,029,000 as at 30 June 2013.

The directors adopted the going concern basis in the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1. *Alternative sources of external funding*

   Subsequent to 30 June 2013, the Group entered into a placing agreement dated 24 September 2013 with the placing agent to place to not less than six independent placees for up to 30,000,000 shares at a price of HK$0.20 per placing share. The proceeds of the placing will be used for general working capital of the Group.

2. *Attainment of profitable and positive cash flow operations*

   The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

3. *Necessary debt reduction plan*

   The Group will consider to implement necessary debt reduction plan to improve the working capital and reduce the liabilities of the Group.

In the opinion of the directors, in light of the various measures or arrangements implemented or will be implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The applicability of the going concern basis is dependent on the favourable outcome of the proposed measures being implemented by the Group, in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These consolidated financial statements do not include any adjustments that may result if the measures could not be implemented successfully. If the proposed measures could not proceed successfully and the going concern basis was not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

(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 statement of profit or loss 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.

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.

(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 unrealized 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

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 statement of profit or loss 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.

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 statement of profit or loss, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and jointly controlled entities (continued)

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 identifiable assets acquired and the liabilities assumed are recognised at the fair value, except that:

– 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

- 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 noncontrolling 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. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at 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.

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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(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 statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(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 3(w)(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 3(w)(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	Over the remaining terms of the leases but not exceeding 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
Customer relationship	3.3 to 6.3 years
Non-competition agreements	2 years
Media co-operation agreement	4.3 to 9.2 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)

(l) 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)

(l) 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:

– interest 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 retained profits).

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)

(iv) 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 realize 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 capital 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 capital 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 capital reserve is released directly to retained profits.

(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) Advertising service

Revenue from the provision of outdoor advertising displays and media advertisements agency services are recognised over the term of the relevant contracts and to the extent of services rendered or 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 interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Foreign currencies (continued)

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.

(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) Impairment loss on accounts receivable and prepaid advertising placement services costs

The Group's management determines the provision for impairment loss of accounts receivables and prepaid advertising placement service costs based on an assessment of the recoverability of the receivables and prepayments. This assessment is based on the credit history of its customers and subsequent sales conditions and the current market condition. Management reassesses the provision at the end of each reporting period.

(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.

(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 notes are determined by the Black-Scholes Option Pricing Model 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 34.

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

Key sources of estimation uncertainty (continued)

(iv) Impairment of intangible assets and property, plant and equipment

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.

(vi) Impairment of available-for-sale financial assets

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceeds their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

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

Key sources of estimation uncertainty (continued)

(vii) Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and current tax charges in the period in which such estimates have been changed.

5. TURNOVER

Turnover represents revenue from the 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:

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Outdoor advertising on buses and bus stations	**39,682**	42,889
Outdoor advertising on billboards and outdoor display spaces	**65,019**	–
Television advertisements	**16,165**	–
	120,866	42,889

6. OTHER REVENUE AND OTHER NET INCOME

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Other revenue		
Bank interest income	**61**	20
Sundry income	**24**	252
	85	272
Other net income		
Dividend income	**2**	12
Exchange gain, net	**1,258**	140
	1,260	152

7. FINANCE COSTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**–**	4
Other borrowings wholly repayable within five years	**4,399**	90
Imputed interest on promissory notes (note 33)	**5,095**	–
Imputed interest on convertible notes (note 34)	**35,677**	1,079
Total interest expense on financial liabilities not at fair value through profit or loss	**45,171**	1,173

8. LOSS BEFORE INCOME TAX

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
(a) Staff cost (including directors' emolument):		
Contributions to defined contribution plan	**2,485**	482
Salaries, wages and other benefits	**15,749**	5,241
	18,234	5,723
Number of employees	**106**	42
(b) Other items:		
Amortisation of intangible assets	**142,386**	14,640
Auditors' remuneration	**1,000**	750
Depreciation on property, plant and equipment	**397**	372
Operating lease charges in respect of office premises	**2,733**	690
Impairment loss on available-for-sale financial assets (note 20)	**77,766**	–
Impairment loss on accounts receivable (note 24)	**400**	–
Written-off of prepaid advertising placement service costs (note 26)	**437**	–
Impairment loss on other receivables (note 25)	**–**	431
Impairment loss on intangible assets (note 16)	**426,322**	–
Impairment loss on goodwill (note 17)	**996,804**	–
Changes in fair value of trading securities	**15**	6,865
Changes in fair value of derivative financial instruments	**(510)**	852
Changes in fair value of purchase consideration payable	**(4,258)**	(7,594)
Loss on disposal of property, plant and equipment	**47**	28
Loss on redemption of convertible notes	**–**	4,873

The cost of sales includes direct cost for the advertising operations of approximately HK$121,731,000 (2012: HK$35,167,000) and aggregate employee benefits expense, and amortisation of intangible assets of approximately HK$142,386,000 (2012: HK$14,640,000), 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 statement of profit or loss represents:

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Current tax (note 35)		
PRC enterprise income tax	**3**	1,185
Deferred tax (note 36)		
Current year	**(148,427)**	(3,877)
Tax credit for the year	**(148,424)**	(2,692)

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 (2012: HK$ Nil).

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25% on its assessable profits (2012: 25%).

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 period from 1 January 2011 to 31 December 2011, 24% for the period from 1 January 2012 to 31 December 2012 and 25% for the period from 1 January 2013 to 31 December 2013.

9. INCOME TAX (continued)

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

	2013		2012	
	HK$'000	**%**	HK$'000	%
Loss before income tax (from continuing operations)	**(1,721,081)**		(47,591)	
Notional tax on loss before income tax, calculated at rates applicable to profits in the countries concerned	**(286,465)**	**(16.6)**	(6,372)	(13.4)
Tax effect of expenses not deductible for tax purposes	**137,510**	**8.0**	9,687	20.4
Tax effect of income not taxable for tax purposes	**(966)**	**(0.1)**	(11,180)	(23.5)
Tax effect of tax losses not recognised	**1,497**	**0.1**	5,173	10.8
Income tax credit and effective tax rate for the year	**(148,424)**	**(8.6)**	(2,692)	(5.7)

For the year ended 30 June 2013 and 2012, the Group did not have any share of tax attributable to associates included in "share of profits and losses of associates" in the consolidated statement of profit or loss.

10. DISCONTINUED OPERATION

During the year ended 30 June 2013, the directors determined to cease the operation of Cyberliving Holdings Limited and its subsidiaries (the "Cyberliving Group") which were engaged in intelligent system business. The intelligent system business was terminated during the year.

For the year ended 30 June 2013, the results and cash flows of Cyberliving Group are treated as discontinued operations. The comparative consolidated statement of profit or loss and related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

10. DISCONTINUED OPERATION (continued)

The results of the discontinued operation included in the consolidated statement of profit or loss and consolidated statement of cash flows as at 30 June 2013 are set out below:

	2013 HK$'000	2012 HK$'000
Turnover	875	5,394
Cost of sales	(12)	(4,173)
Gross profit	863	1,221
Other revenue and other net income	730	766
Marketing and promotion expenses	(6)	(450)
Administrative expenses	(1,688)	(6,384)
Share of losses of associates	–	(5)
Loss on derecognition of associates	–	(1,785)
Loss before income tax	(101)	(6,637)
Income tax	(5)	(58)
Loss for the year from discontinued operation	(106)	(6,695)
Loss attributable to:		
Owners of the Company (note 13)	(106)	(6,695)
Loss for the year from discontinued operation included the followings:		
Depreciation	1,189	4,629
Operating lease charge in respect of office premises	6	72
Staff costs	188	1,150
Cash flows from discontinued operation:		
Net cash flows used in operating activities	(107)	(18,626)
Net cash flows generated from investing activities	–	12,731
Net cash outflows	(107)	(5,895)

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:

	2013 HK$'000	2012 HK$'000
Fees	360	360
Basic salaries, allowances and other benefits	1,991	1,064
Retirement scheme contributions	18	12
	2,369	1,436
Number of directors	6	6

The emoluments of directors for the year ended 30 June 2013 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 *(chief executive officer)*	–	1,376	–	15	1,391
Mr. Chen Chuan	–	560	–	–	560
Mr. Shih Yau Ting, Jackson (note (a))	–	55	–	3	58
Independent non-executive directors					
Mr. Lee Ho Yiu, Thomas (note (b))	54	–	–	–	54
Ms. Lu Di	120	–	–	–	120
Ms. Wong On Yee (note (c))	66	–	–	–	66
Mrs. Kwan Leung Anna	120	–	–	–	120
	360	1,991	–	18	2,369

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

Directors' emoluments (continued)

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 (note (e))	90	–	–	–	90
Ms. Lu Di	120	–	–	–	120
Ms. Wong On Yee	120	–	–	–	120
Mrs. Kwan Leung Anna (note (d))	30	–	–	–	30
	360	1,064	–	12	1,436

Notes:

(a) Mr. Shih Yau Ting, Jackson was appointed on 18 February 2013.

(b) Mr. Lee Ho Yiu, Thomas was appointed on 21 January 2013.

(c) Ms. Wong On Yee resigned on 21 January 2013.

(d) Mrs. Kwan Leung Anna was appointed on 2 April 2012.

(e) Ms. Au Yuk Kit resigned 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 38.

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 (2012: HK$Nil).

Senior management of the Group represents the executive directors during the years ended 30 June 2013 and 2012.

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:

	2013 HK$'000	2012 HK$'000
Basic salaries, allowances and other benefits	**4,355**	2,263
Retirement scheme contributions	**104**	24
	4,459	2,287

During the years ended 30 June 2013 and 2012, 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 (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, allowances and other benefits	**2,419**	1,199
Retirement scheme contributions	**89**	12
	2,508	1,211

The emoluments of the three (2012: three) individual with the highest emolument fall within the following bands:

	Number of individual	
	2013	2012
Emoluments band		
HK$ Nil – HK$1,000,000	**2**	3
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$39,319,000 (2012: loss of HK$24,635,000) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

From 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:

	2013 **HK$'000**	2012 HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(1,563,182)**	(47,160)

	2013 **'000**	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**102,621**	9,506

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 30 June 2012 was restated from approximately 95,062,000 to 9,506,200 with the effect of share consolidation effective on 29 January 2013 (note 37(b)(iii)).

The basic and diluted loss per share are the same for years ended 30 June 2013 and 2012 respectively, as the effect of the share options, convertible notes and contingently issuable shares outstanding as at 30 June 2013 and 2012 were 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:

	2013 **HK$'000**	2012 HK$'000
Loss for the year attributable to owners of the Company	**(1,563,182)**	(47,160)
Less:		
Loss for the year from discontinued operation (note 10)	**106**	6,695
Loss for the purpose of basic and diluted loss per share from continuing operations	**(1,563,076)**	(40,465)

	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**102,621**	9,506

The basic and diluted loss per share are the same for years ended 30 June 2013 and 2012 respectively, as the effect of the share options, convertible notes and contingently issuable shares outstanding as at 30 June 2013 and 2012 were anti-dilutive and were not included in the calculation of diluted loss per share.

From discontinued operation

For the year ended 30 June 2013, basic loss per share from discontinued operation is HK$0.001 per share based on the loss for the year from the discontinued operation of approximately HK$106,000 and the denominators detailed above.

For the year ended 30 June 2012, basic loss per share from discontinued operation is HK$0.70 per share based on the loss for the year from the discontinued operation of approximately HK$6,695,000 and the denominators detailed above.

For the years ended 30 June 2013 and 2012, diluted loss per share from discontinued operation is the same as the basic loss per share from discontinued operation as the effect of the share options, convertible notes and contingently issuable shares as at 30 June 2013 and 2012 were anti-dilutive and were not included in the calculation of diluted loss per share.

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) Outdoor advertising on buses and bus stations: outdoor advertising operations on buses and bus stations in the PRC

(2) Outdoor advertising on billboards and outdoor display spaces: outdoor advertising operations on billboards and outdoor display spaces in the PRC

(3) Television advertisements: television advertising operations in the PRC

In prior years, the Group was involved in following segment which was discontinued during the year ended 30 June 2013. The segment information does not include any amounts for this discontinued operation.

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities 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 deposit for acquisition of a subsidiary, available-for-sale financial assets, trading securities, 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 borrowings, deferred tax liabilities, promissory note 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:

	Outdoor advertising on buses and bus stations		Outdoor advertising on billboards and outdoor display spaces		Television advertisements		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue								
Revenue from external customers	**39,682**	42,889	**65,019**	–	**16,165**	–	**120,866**	42,889
Reportable segment loss before income tax	**(83,961)**	(12,962)	**(1,339,555)**	–	**(169,597)**	–	**(1,593,113)**	(12,962)
Depreciation and amortisation	**(16,056)**	(14,815)	**(103,922)**	–	**(22,631)**	–	**(142,609)**	(14,815)
Other material non-cash items:								
– Impairment loss on intangible assets	**(13,232)**	–	**(413,090)**	–	**–**	–	**(426,322)**	–
– Impairment loss on goodwill	**(48,979)**	–	**(817,491)**	–	**(130,334)**	–	**(996,804)**	–
– Impairment loss on accounts receivable	**–**	–	**(400)**	–	**–**	–	**(400)**	–
– Written off of prepaid advertising placement service costs	**–**	–	**(437)**	–	**–**	–	**(437)**	–
Reportable segment assets	**32,601**	109,925	**55,608**	–	**566,162**	–	**654,371**	109,925
Reportable segment liabilities	**19,201**	12,617	**60,558**	–	**260,168**	–	**339,927**	12,617
Additions to non-current assets	**7**	409	**1,334,873**	–	**657,307**	–	**1,992,187**	409

14. SEGMENT INFORMATION (continued)

Continuing operations (continued)

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

	2013 HK$'000	2012 HK$'000
Continuing operations		
Revenue		
Total reportable segment revenues	**120,866**	42,889
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**120,866**	42,889
Loss		
Reportable segment loss derived from Group's external customers	**(1,593,113)**	(12,962)
Other revenue and other net income	**2**	262
Finance costs	**(45,171)**	(1,173)
Impairment loss on available-for-sale financial assets	**(77,766)**	–
Change in fair value of derivative financial instruments	**4,258**	7,594
Change in fair value of purchase considersion payable	**510**	(852)
Unallocated head office and corporate expenses	**(9,801)**	(40,460)
Loss before income tax	**(1,721,081)**	(47,591)
Assets		
Total reportable segment assets	**654,371**	109,925
Elimination of inter-segment receivables	**–**	–
	654,371	109,925
Discontinued operation: intelligent system	**23**	1,838
Available-for-sale financial assets (note 20)	**235**	78,000
Trading securities (note 22)	**24**	39
Unallocated corporate assets	**1,060**	82,098
Consolidated total assets	**655,713**	271,900

14. SEGMENT INFORMATION (continued)

Continuing operations (continued)

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

	2013 HK$'000	2012 HK$'000
Liabilities		
Total reportable segment liabilities	**339,927**	12,617
Elimination of inter-segment payables	**–**	–
	339,927	12,617
Discontinued operation: intelligent system	**11,393**	13,458
Borrowings (note 32)	**20,400**	4,400
Promissory notes (note 33)	**152,563**	–
Convertible notes (note 34)	**947,094**	–
Deferred tax liabilities (note 36)	**72,770**	11,117
Unallocated corporate liabilities	**17,595**	18,323
Consolidated total liabilities	**1,561,742**	59,915

Note: Deposit for acquisition of a subsidiary, available-for-sale financial assets, and trading securities, are not included in the measure of segment assets and borrowings, convertible notes, promissory note and deferred tax liabilities are not included in the measure of segment liabilities but are regularly provided to the CODM.

(c) Geographic information

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

(d) Information about major customers

For the year ended 30 June 2013, there was one (2012: no) customer accounted for over 10% of total revenue of the Group.

15. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Leasehold improvements HK$'000	**Furniture and fixtures** HK$'000	**Equipment** HK$'000	**Motor vehicle** HK$'000	**Total** HK$'000
Cost:					
At 1 July 2011	1,489	680	39,957	139	42,265
Additions	–	389	20	–	409
Disposals	–	–	(202)	–	(202)
Exchange realignment	–	16	1	5	22
At 30 June 2012 and 1 July 2012	1,489	1,085	39,776	144	42,494
Additions through acquisition of subsidiaries (note 40)	43	280	–	134	457
Additions	–	113	–	–	113
Disposals	–	(680)	(14,480)	–	(15,160)
Exchange realignment	–	17	–	–	17
At 30 June 2013	**1,532**	**815**	**25,296**	**278**	**27,921**
Accumulated depreciation and impairment:					
At 1 July 2011	1,432	515	33,721	52	35,720
Charge for the year	13	172	4,749	67	5,001
Written back on disposals	–	–	(174)	–	(174)
Exchange realignment	–	13	1	4	18
At 30 June 2012 and 1 July 2012	1,445	700	38,297	123	40,565
Charge for the year	26	348	1,162	50	1,586
Written back on disposals	–	(626)	(14,480)	–	(15,106)
Exchange realignment	–	6	–	–	6
At 30 June 2013	**1,471**	**428**	**24,979**	**173**	**27,051**
Net book value:					
At 30 June 2013	**61**	**387**	**317**	**105**	**870**
At 30 June 2012	44	385	1,479	21	1,929

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	The Company		
	Furniture and fixtures HK$'000	Equipment HK$'000	Total HK$'000
Cost:			
At 1 July 2011	–	305	305
Additions	389	12	401
At 30 June 2012 and 1 July 2012	389	317	706
Additions	–	16	16
At 30 June 2013	**389**	**333**	**722**
Accumulated depreciation:			
At 1 July 2011	–	46	46
Charge for the year	64	63	127
At 30 June 2012 and 1 July 2012	64	109	173
Charge for the year	78	67	145
At 30 June 2013	**142**	**176**	**318**
Net book value:			
At 30 June 2013	**247**	**157**	**404**
At 30 June 2012	325	208	533

16. INTANGIBLE ASSETS

	The Group						
	Licenses	**Patents and trademarks**	**Computer software**	**Customer relationship**	**Non-competition agreements**	**Media co-operation agreements**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 July 2011, 30 June 2012 and 1 July 2012	71,085	3,225	74,905	–	–	–	149,215
Additions through acquisition of subsidiaries (note 40)	–	–	–	3,484	1,439	760,548	765,471
At 30 June 2013	**71,085**	**3,225**	**74,905**	**3,484**	**1,439**	**760,548**	**914,686**
Accumulated amortisation and impairment:							
At 1 July 2011	11,977	3,225	74,905	–	–	–	90,107
Amortise for the year	14,640	–	–	–	–	–	14,640
At 30 June 2012 and 1 July 2012	26,617	3,225	74,905	–	–	–	104,747
Amortise for the year	15,970	–	–	816	600	125,000	142,386
Impairment	13,232	–	–	2,269	839	409,982	426,322
At 30 June 2013	**55,819**	**3,225**	**74,905**	**3,085**	**1,439**	**534,982**	**673,455**
Net book value:							
At 30 June 2013	**15,266**	**–**	**–**	**399**	**–**	**225,566**	**241,231**
At 30 June 2012	44,468	–	–	–	–	–	44,468

The amortisation for the year is included in "cost of sales" in the consolidated statement of profit or loss.

The customer relationship, non-competition agreements and media co-operation agreements were acquired as part of business combination of equity interests in Redgate Ventures Limited ("Redgate Ventures") during the year ended 30 June 2013 and were initially recognised at their respective fair values as at the respective dates of the completion of acquisitions based on the valuation carried out by independent professional qualified valuers to the Group.

16. INTANGIBLE ASSETS (Continued)

Details of each of the identified intangible assets acquired as set out below:

Intangible asset	Nature
Customer relationship	The business relationship with customers established by 上海電廣媒體傳播有限公司("Shanghai Dianguang") and 北京炎黃盛世廣告有限公司 ("Beijing Yanhuang")
Non-competition agreements	The undertaking by the former owners of Shanghai Dianguang and the non-controlling owners of Beijing Yanhuang not to compete with the Group in any way within a specified period of time
Media co-operation agreements	The media co-operation agreements entered into by Shanghai Dianguang and 展鵬互動廣告(北京)有限公司

Impairment of intangible assets during the year ended 30 June 2013

Outdoor advertising on buses and bus stations

During the year ended 30 June 2013, as the result of the unsatisfactory performance of outdoor advertising on buses and bus stations business, the Group carried out a review of the recoverable amount of the licenses. These assets are used in the Group's outdoor advertising on buses and bus stations reportable segment. The review led to the recognition of an impairment loss of approximately HK$13,232,000 for licenses, 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 19.32%. The other key assumptions used in the value in use calculation are disclosed in note 17 to the consolidated financial statements. The impairment losses have been included in the consolidated statement of profit or loss.

Outdoor advertising on billboards and outdoor display spaces

During the year ended 30 June 2013, as the result of the unsatisfactory performance of outdoor advertising on billboards and outdoor display spaces business, the Group carried out a review of the recoverable amount of customer relationship, non-competition agreements and media co-operation agreements. These assets are used in the Group's outdoor advertising on billboards and outdoor display spaces reportable segment. The review led to the recognition of an impairment loss of approximately HK$2,269,000 for customer relationship, approximately HK$839,000 for non-competition agreements and approximately HK$409,982,000 for media co-operation agreement, 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 27.28%. The other key assumptions used in the value in use calculation are disclosed in note 17 to the consolidated financial statements. The impairment losses have been included in the consolidated statement of profit or loss.

16. INTANGIBLE ASSETS (Continued)

Impairment of intangible assets during the year ended 30 June 2013 (Continued)

Television advertisements

During the year ended 30 June 2013, the Group carried out a review of the recoverable amount of customer relationship and media co-operation agreement. These assets are used in the Group's television advertisements reportable segment. No impairment loss was recognised to those intangible assets related to television advertisements during the year ended 30 June 2013. 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 24.15%. The other key assumptions used in the value in use calculation are disclosed in note 17 to the consolidated financial statements.

17. GOODWILL

	The Group	
	2013	2012
	HK$'000	HK$'000
Cost:		
At the beginning of year	**48,979**	48,979
Acquisition of subsidiaries (note 40)	**1,226,254**	–
At the end of year	**1,275,233**	48,979
Impairment:		
At the beginning of year	**–**	–
Impairment loss recognised	**996,804**	–
At the end of year	**996,804**	–
Carrying amounts	**278,429**	48,979

Goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units:

(1) Outdoor advertising on buses and bus stations

(2) Outdoor advertising on billboards and outdoor display spaces

(3) Television advertisements

17. GOODWILL (Continued)

Before recognition of impairment losses, the carrying amount of goodwill was allocated to groups of cash-generating units as follows:

	2013	2012
	HK$'000	HK$'000
Outdoor advertising on buses and bus stations	**48,979**	48,979
Outdoor advertising on billboards and outdoor display spaces	**817,491**	–
Television advertisements	**408,763**	–
	1,275,233	48,979

Outdoor advertising on buses and bus stations

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-year period, and a discount rate of 19.32% (2012: 16.33%) per annum. Cash flows beyond a five-year period approved by senior management have been extrapolated using a 3% growth rate. 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. Impairment loss of approximately HK$48,979,000 was recognised during the year ended 30 June 2013 as the outdoor advertising on buses and bus stations operation does not turnout as expected as forecasted in previous year due to a more stringent and competitive environment of the industry in the PRC.

Outdoor advertising on billboards and outdoor display spaces

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-year period, and a discount rate of 27.28% per annum. Cash flows beyond a five-year period approved by senior management have been extrapolated using a 3% growth rate. 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. Impairment loss of approximately HK$817,491,000 was recognised during the year ended 30 June 2013 as the outdoor advertising on billboards and outdoor display spaces operation does not turnout as previously expected due to a more stringent and competitive environment of the industry in the PRC and due to the suspension of an outdoor media advertisement co-operation project.

17. GOODWILL (Continued)

Television advertisements

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-year period, and a discount rate of 24.15% per annum. Cash flows beyond a five-year period approved by senior management have been extrapolated using a 3% growth rate. 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. Impairment loss of approximately HK$130,334,000 was recognised during the year ended 30 June 2013 as the television advertisements operation does not turnout as previously expected due to a more stringent and competitive environment of the industry in the PRC and due to the postponement of a television advertisement co-operation project.

The key assumptions used in the value in use calculations 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 by 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	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**1,701,162**	96,291
Less: Impairment (note)	**(1,701,162)**	(17,545)
	–	78,746

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 estimation of future cash flows expected to be generated from the respective subsidiaries.

18. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 30 June 2013 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
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 advertisements in the 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 the PRC
展鵬互動廣告(北京)有限責任公司 (note (i))	The PRC	100%	–	100%	Registered capital of US$11,000,000	Investment holding
上海電廣媒體傳播有限公司 (note (ii))	The PRC	100%	–	100%	Registered capital of RMB5,000,000	Provision of advertising placement agency services in television channel
北京炎黃盛世廣告有限公司 (note (ii))	The PRC	51%	–	51%	Registered capital of RMB5,000,000	Provision of advertising placement agency services in outdoor displays and media advertisement

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	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Share of post-acquisition loss	**–**	–
	–	–

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Assets	**–**	–
Liabilities	**–**	–
Revenues	**–**	–
Loss after tax	**–**	(10)

19. INTERESTS IN ASSOCIATES (Continued)

On 15 June 2012, Cyberweb Services Limited, a company that has 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 loss on derecognition of interests in associates have been recognised in profit or loss, 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 ASSETS

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity securities, at cost:		
China New Media (HK) Limited	**78,000**	78,000
Global Media Productions Limited	**1**	–
	78,001	78,000
Less: Impairment	**(77,766)**	–
	235	78,000
Analysed for reporting purposes as:		
Non-current assets	**235**	78,000

All available-for-sale financial assets are measured 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 are of the opinion that their fair values cannot be measured reliably.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(i) Global Media Productions Limited ("Global Media")

Upon the completion of acquisition of Redgate Ventures, the Group indirectly owned 15 % equity interests in Global Media. As at the completion date of acquisition of Redgate Ventures and 30 June 2013, the carrying value of the Group's investment in Global Media is HK$1,000. No impairment loss was recognised during the year ended 30 June 2013.

(ii) China New Media (HK) Limited ("China New Media")

China New Media is a private entity principally engaged in outdoor advertising in Hong Kong. The Group indirectly owned 19% equity interests in China New Media. During the year ended 30 June 2013, an objective evidence of impairment was considered to exist due to adverse financial position of such private entity. For the purpose of impairment, the recoverable amount has been determined under the market-based approach and the number of contracts on hand. The management considered that the recoverable amount of available-for-sale financial asset is significantly less than its investment cost and hence an impairment loss of approximately HK$77,766,000 (2012: HK$Nil) is recognised against the investment cost.

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	The Company	
	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	**291,990**	291,539
Less: Impairment loss recognised	**(291,990)**	(213,368)
	–	78,171

Due to the prolonged poor financial performance of the subsidiaries, impairment of approximately HK$291,990,000 (2012: HK$213,368,000) was provided for amounts due from subsidiaries. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated future cash flows expected to be generated from the respective subsidiaries.

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

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

22. TRADING SECURITIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**24**	39

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

23. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Finished goods	**–**	–
Work in progress	**–**	–
Raw materials	**–**	–
	–	–

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Cost of inventories sold	**–**	3,586
Write-down of inventories	**–**	238
	–	3,824

24. ACCOUNTS RECEIVABLE

	The Group 2013 HK$'000	2012 HK$'000
Trade debtors	**32,350**	4,837
Less: Impairment	**(406)**	–
	31,944	4,837

(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 2013 HK$'000	2012 HK$'000
Current	**63**	3,590
Less than 1 month past due	**158**	436
1 to 3 months past due	**16,624**	25
Over 3 months past due	**15,099**	786
	31,944	4,837

24. ACCOUNTS RECEIVABLE (Continued)

(a) Ageing analysis (Continued)

The Group's trading terms with customers are on credit. The credit period is generally from nil to 30 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 42(d).

(b) Impairment of trade debtors

The movements in the impairment loss on accounts receivable during the years ended 30 June 2013 and 2012 are as follows:

	2013 **HK$'000**	2012 HK$'000
At the beginning of the year	**–**	–
Impairment loss recognised	**400**	–
Exchange realignment	**6**	–
At the end of the year	**406**	–

As at 30 June 2013, the Group's accumulated accounts receivable of approximately HK$406,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered.

Consequently, the Group's accumulated allowances for doubtful debts of approximately HK$406,000 were recognised as at 30 June 2013. The Group does not hold any collateral over these balances.

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:

	2013	2012
	HK$'000	HK$'000
Past-due but not impaired:		
– Less than three months past due	**16,782**	461
– Over 3 months past due	**15,099**	786
	31,881	1,247
Neither past due nor impaired	**63**	3,590
	31,944	4,837

Included in the Group's trade debtors as at 30 June 2013 are debtors with an aggregate carrying amount of approximately HK$31,881,000 (2012: HK$1,247,000) 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	
	2013	2012
	HK$'000	HK$'000
Prepayments	**4,593**	6,291
Rental and utility deposits	**242**	67
Other deposits	**3,654**	1,389
Other receivables	**50,805**	2,036
	59,294	9,783
Less: Impairment loss on other receivables	**(1,643)**	(1,643)
	57,651	8,140

(a) Movements in the impairment loss on other receivables

	The Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**1,643**	1,212
Impairment loss recognised	**–**	431
At the end of the year	**1,643**	1,643

Impairment loss on other receivables of approximately HK$431,000 has been included in the consolidated statement of profit or loss for the year ended 30 June 2012. 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	
	2013	2012
	HK$'000	HK$'000
Prepayments	**412**	153
Rental and utility deposits	**67**	67
	479	220

26. PREPAID ADVERTISING PLACEMENT SERVICE COSTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Prepaid advertising placement service costs	**19,136**	–
Less: written off	**(437)**	–
Prepaid advertising placement service costs, net	**(18,699)**	–

Amount of approximately HK$437,000 was written off during the year ended 30 June 2013 due to the lost of contact with the advertising placement service suppliers.

27. PROMISSORY NOTES RECEIVABLE

	The Group	
	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	**–**	38,700
Repayment	**–**	(38,700)
Balance at the end of the year	**–**	–

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

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**25,133**	4,419	**55**	838

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$24,998,000 (2012: HK$3,173,000). 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 0.35% per annum (2012: from 0.01% to 0.4% per annum).

29. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**27,108**	539	**–**	–
Accrued expenses and other payables	**295,794**	37,352	**15,467**	13,995
Receipts in advance	**11,246**	2,053	**–**	–
	334,148	39,944	**15,467**	13,995

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Less than 1 month	**–**	28
1 to 3 months	**10,771**	–
3 months to 6 months	**10,145**	511
6 months to 1 year	**2,808**	–
Over 1 year	**3,384**	–
	27,108	539

30. 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.

31. LONG SERVICE PAYMENTS

	The Group	
	2013	2012
	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
Reversed during the year	–	(233)
Balance at the end of the year	–	–

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.

32. BORROWINGS

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Other loans	**20,400**	4,400
Unsecured	**20,400**	4,400
Carrying amount repayable:		
Within one year	**–**	4,400
Over one year but contain a repayment on demand clause classified as current liabilities	**20,400**	–

During the year ended 30 June 2013, the Group obtained a borrowing in the amount of HK$16,000,000. The borrowing bears interest at 1% per annum and is repayable on 28 February 2013. The borrowing was further extended to be repayable on 28 February 2015 with no interest-bearing.

During the year ended 30 June 2012, the Group obtained a borrowing in the amount of HK$4,400,000. The borrowing bears interest at 3% per annum and is repayable on 26 October 2012. The borrowing was further extended to be repayable on 26 October 2014 with no interest-bearing.

Notwithstanding that the terms for repayment of the borrowings, the lender reserves the unconditional right to call the borrowings at any time, therefore, the borrowings are classified as current liabilities as at 30 June 2013.

33. PROMISSORY NOTES

On 31 August 2012, the Company issued HK$160,000,000 unsecured redeemable promissory notes in connection with the acquisition of the entire issued share capital of Redgate Ventures (note 40). The promissory notes are repayable in one lump sum on maturity of two years and matured on 30 August 2014. The promissory notes were unsecured and interest-free. The Company has the right to repay the promissory notes prior to the maturity to the note holders. The promissory notes are classified as non-current liabilities and are carried on the amortised cost basis until extinguished on redemption.

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**–**	–
Issuance of promissory note	**147,468**	–
Interest charged (note 7)	**5,095**	–
At the end of the year	**152,563**	–

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument. The fair value of the liability component of the promissory note at the issue date amounted to approximately HK$147,468,000. The fair value is calculated using discounted cash flow method at a rate of 4.163%.

34. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

The convertible notes issued have been split as to the derivative financial asset components (call option of convertible notes), derivative financial liability components, the liability components and the equity components. The followings tables summarise the movements of the derivative financial asset components, the liability components, and the derivative financial liability components during the years ended 30 June 2013 and 2012:

	Convertible Note 1 HK$'000 (note (a))	Convertible Note 2 HK$'000 (note (b))	Convertible Note 3 HK$'000 (note (c))	Convertible Note 4 HK$'000 (note (d))	Convertible Note 5 HK$'000 (note (e))	Total HK$'000
Derivative financial asset components						
At 1 July 2011	–	–	–	–	–	–
Issue of convertible notes	–	5,363	–	–	–	5,363
Fair value change	–	(852)	–	–	–	(852)
Early redemption	–	(4,511)	–	–	–	(4,511)
At 30 June 2012 and 1 July 2012	–	–	–	–	–	–
Issue of convertible notes	–	–	2,633	–	–	2,633
Fair value change	–	–	(361)	–	–	(361)
Conversion of convertible notes	–	–	(2,146)	–	–	(2,146)
At 30 June 2013	**–**	**–**	**126**	**–**	**–**	**126**
Liability components						
At 1 July 2011	4,241	–	–	–	–	4,241
Issue of convertible notes	–	32,855	–	–	–	32,855
Early redemption	–	(33,775)	–	–	–	(33,775)
Redemption on maturity	(4,400)	–	–	–	–	(4,400)
Interest charged (note 7)	159	920	–	–	–	1,079
At 30 June 2012 and 1 July 2012	–	–	–	–	–	–
Issue of convertible notes	–	–	168,622	1,027,186	124,594	1,320,402
Conversion of convertible notes	–	–	(137,817)	(271,045)	(123)	(408,985)
Interest charged (note 7)	–	–	2,712	28,687	4,278	35,677
At 30 June 2013	**–**	**–**	**33,517**	**784,828**	**128,749**	**947,094**
Derivative financial liability components						
At 1 July 2011, 30 June 2012 and 1 July 2012	–	–	–	–	–	–
Issue of convertible notes	–	–	–	–	2,384	2,384
Fair value change	–	–	–	–	(871)	(871)
Conversion of convertible notes	–	–	–	–	(3)	(3)
At 30 June 2013	**–**	**–**	**–**	**–**	**1,510**	**1,510**

34. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note (a): Convertible Note 1 – 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, 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 component 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.

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 notes 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.

34. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note (b): Convertible Note 2 – 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 notes as partial settlement of acquisition of 19% issued share capital of China New Media. The holder 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$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 notes will be redeemed at par on the maturity date.

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

In valuing the derivative financial asset component, the Binomial Option Pricing Model was used.

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

	HK$'000
Liability component	32,855
Derivative financial asset component	(5,363)
Equity component	11,508
	39,000

The inputs used for the calculation of the fair values of the derivative financial asset component 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%

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.

34. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note (c): Convertible Note 3 – HK$200,000,000 Convertible Note due 2014

On 29 August 2012, the Company issued 2-years HK$200,000,000 unsecured and non-interest-bearing convertible note. Subsequent to issue of convertible note, 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$0.38, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 29 August 2012 to 29 August 2014, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date. Pursuant to the share consolidation effective on 28 January 2013, the conversion price was adjusted to HK$3.8 per ordinary share.

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

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 8.91% to the liability component.

In valuing the derivative financial asset component, the Black-Scholes Option Pricing Model was used.

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

	HK$'000
Liability component	168,622
Derivative financial asset	(2,633)
Equity component	28,011
Transaction costs of placing of convertible notes	6,000
	200,000

The inputs used for the calculation of the fair values of the derivative financial asset component were as follows:

	29/8/2012	30/6/2013
Time to maturity	2 years	1.16 years
Conversion price	HK$0.380	HK$3.800
Risk-free rate	0.187%	0.270%

34. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note (d): Convertible Note 4 – HK$1,160,000,000 Convertible Note due 2015

On 31 August 2012, the Company issued 3-years HK$1,160,000,000 unsecured and non-interest-bearing convertible note. Subsequent to issue of convertible note, 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$0.38, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 31 August 2012 to 31 August 2015, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date. Pursuant to the share consolidation effective on 28 January 2013, the conversion price was adjusted to HK$3.8 per ordinary share. The Company shall not be entitled to early redeem the convertible notes before the maturity date.

The convertible note contains two components: liability component and equity component. The liability component is classified as current liabilities and carried at amortised cost using the effective interest method. The equity component is initially measured at fair value.

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 4.14% to the liability component.

In valuing the equity component, the Black-Scholes Option Pricing Model was used.

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

	HK$'000
Liability component	1,027,186
Equity component	30,784
	1,057,970

The inputs used for the calculation of the fair value of the equity component were as follows:

	31/8/2012
Time to maturity	3 years
Conversion price	HK$0.380
Risk-free rate	0.171%
Expected volatility	103.18%

34. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note (e): Convertible Note 5 – approximately HK$140,000,000 Convertible Note due 2015

On 31 August 2012, the Company issued 3-years approximately HK$140,000,000 unsecured and non-interest-bearing convertible note. The conversion price of convertible note of HK$0.38 each is adjustable and subject to the occurrence of the adjustment event stated in the circular of the Company dated 24 April 2012. Subsequent to issue of convertible note the conversion price is adjusted from HK$0.38 to HK$0.235, please refer to the Company's announcement dated 24 January 2013 for details of adjustment. Afterwards, 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$0.235, subject to adjustments in accordance with the instrument constituting the convertible note, at any time to 31 August 2015, the maturity date. Unless previously redeemed and cancelled, the note will be redeemed at par on the maturity date. Pursuant to the share consolidated effective on 28 January 2013, the conversion price was adjusted to HK$2.35 per ordinary share. The Company shall not be entitled to early redeem the convertible notes before the maturity date.

The convertible note contains two components: liability component and derivative financial liability component. The liability component is classified as current liabilities and carried at amortised cost using the effective interest method. The derivative financial liability component is initially measured at fair value.

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 4.14% to the liability component.

In valuing the derivative financial liability component, the Black-Scholes Option Pricing Model was used.

The fair value of the liability component and derivative financial liability component on initial recognition was estimated to be approximately as follows:

	HK$'000
Liability component	124,594
Derivate financial liability component	2,384
	126,978

The inputs used for the calculation of the fair values of the derivative financial liability component were as follows:

	31/8/2012	30/6/2013
Time to maturity	3 years	2.17 years
Conversion price	HK$0.380	HK$2.350
Risk-free rate	0.171%	0.41%
Expected volatility	103.18%	119.98%

35. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

Current taxation in the statement of financial position represents:

	The Group	
	2013	2012
	HK$'000	HK$'000
Tax (recoverable)/payable at the beginning of the year	**(1,089)**	318
Acquisition of subsidiaries (note 40)	**32,492**	–
Provision for the year		
– PRC enterprise income tax	**3**	1,243
Tax paid		
– PRC enterprise income tax	**(282)**	(2,650)
Exchange realignment	**566**	–
Tax payable/(recoverable) at the end of the year	**31,690**	(1,089)
The amount is presented by:		
– Tax recoverable	**1,371**	1,089
– Tax payable	**(33,061)**	–
	(31,690)	1,089

36. DEFERRED TAXATION

The components of deferred tax liabilities recognised in the statement of financial position and the movements during the year are as follows:

The Group

Deferred tax liabilities

	Accelerated depreciation allowances HK$'000	Intangible assets HK$'000	Convertible notes HK$'000	Total HK$'000
Deferred tax on temporary differences arising from:				
At 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 and 1 July 2012	–	11,117	–	11,117
Acquisition of subsidiaries (note 40)	–	192,436	–	192,436
Recognised directly in equity	–	–	27,092	27,092
Released on conversion of convertible notes	–	–	(9,448)	(9,448)
Credited to profit or loss (note 9(a))	–	(143,246)	(5,181)	(148,427)
At 30 June 2013	**–**	**60,307**	**12,463**	**72,770**

36. DEFERRED TAXATION (Continued)

The Company

Deferred tax liabilities

	Accelerated depreciation allowance HK$'000	Convertible notes HK$'000	Total HK$'000
Deferred tax on temporary differences arising from:			
At 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 and 1 July 2012	–	–	–
Recognised directly in equity	–	27,092	27,092
Released on conversion of convertible notes	–	(9,448)	(9,448)
Credited to profit or loss	–	(5,181)	(5,181)
At 30 June 2013	**–**	**12,463**	**12,463**

At the end of the reporting period, the Group has unused tax losses of approximately HK$46,514,000 (2012: HK$46,514,000) available to offset against future profits. No deferred tax assets has been recognised in respect of the tax losses as at 30 June 2013 and 2012.

No deferred tax assets has been recognised in respect of tax losses of the Company of approximately HK$1,497,000 (2012: HK$1,497,000) due to unpredictability of future profit streams.

37. SHARE CAPITAL

Ordinary shares

	2013 HK$'000	2012 HK$'000
(a) Authorised		
30,000,000,000 shares of HK$0.01 each (2012: 300,000,000,000 shares of HK$0.001 each)	**300,000**	300,000
Issued and fully paid		
153,961,815 shares of HK$0.01 each (2012: 95,062,123 shares of HK$0.001 each)	**1,540**	95

37. 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 2011, 30 June 2012 and 1 July 2012		95,062	95
Conversion of convertible notes	(i)	877,632	878
Placement of shares	(ii)	19,012	19
Placement of shares	(ii)	198,341	198
Share consolidation	(iii)	(1,071,043)	–
Conversion of convertible notes	(i)	34,957	350
At 30 June 2013		**153,961**	**1,540**

Notes:

(i) On 4 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$1,000,000 into 2,631,578 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$2,632 was credited to the share premium account of the Company.

On 5 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$12,000,000 into 31,578,945 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$31,579 was credited to the share premium account of the Company.

On 6 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$80,000,000 into 210,526,309 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$210,526 was credited to the share premium account of the Company.

On 7 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$26,500,000 into 69,736,838 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$69,737 was credited to the share premium account of the Company.

On 8 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$47,500,000 into 124,999,990 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$125,000 was credited to the share premium account of the Company.

On 11 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$33,000,000 into 86,842,098 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$86,842 was credited to the share premium account of the Company.

37. SHARE CAPITAL (continued)

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

Notes: (continued)

(i) (continued)

On 12 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$21,000,000 into 55,263,156 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$55,263 was credited to the share premium account of the Company.

On 14 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$61,000,000 into 160,526,315 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$160,526 was credited to the share premium account of the Company.

On 17 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$5,000,000 into 13,157,894 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$13,158 was credited to the share premium account of the Company.

On 18 September 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$45,000,000 into 118,421,051 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$118,421 was credited to the share premium account of the Company.

On 3 October 2012, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$1,500,000 into 3,947,368 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$3,947 was credited to the share premium account of the Company.

On 14 February 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$24,033,926 into 6,324,720 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$63,247 was credited to the share premium account of the Company.

On 20 February 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$16,326,031 into 4,296,324 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$42,963 was credited to the share premium account of the Company.

On 21 February 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$40,347,382 into 10,617,732 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$106,177 was credited to the share premium account of the Company.

37. SHARE CAPITAL (continued)

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

Notes: (continued)

(i) (continued)

On 27 February 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$1,680,136 into 442,141 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$4,421 was credited to the share premium account of the Company.

On 8 March 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$1,099,066 into 289,228 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$2,892 was credited to the share premium account of the Company.

On 11 March 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$13,163,728 into 3,464,139 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$34,641 was credited to the share premium account of the Company.

On 14 March 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$32,751,071 into 8,618,703 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$86,187 was credited to the share premium account of the Company.

On 5 June 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$134,890 into 57,400 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$574 was credited to the share premium account of the Company.

On 5 June 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$3,217,452 into 846,698 shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$8,467 was credited to the share premium account of the Company.

(ii) On 1 November 2012, the Company placed and issued 19,012,424 new ordinary shares at an issue price of HK$0.06 each. Net proceeds of approximately HK$1,039,000 was utilised by the Group as its general working capital.

On 3 January 2013, the Company placed and issued 198,341,217 new ordinary shares at an issue price of HK$0.032 each. Net proceeds of approximately HK$5,782,000 was utilised by the Group as its general working capital.

(iii) The Company's share consolidation was effective on 29 January 2013 pursuant to the resolution passed at the special general meeting on 29 January 2013. Every 10 issued and unissued shares of HK$0.001 each in the share capital of the Company will be consolidated into 1 consolidated share of HK$0.01 each.

(iv) All new ordinary shares issued during the year ended 30 June 2013 rank pari passu in all respects with the then existing shares.

38. 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 Pre-IPO Share Option Scheme was terminated and a new share option scheme was adopted pursuant to resolution passed by the shareholders of the Company on 23 November 2012. For details of the new share option scheme, please refer to the Company's circular dated 24 October 2012.

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.

(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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Senior management	**106.540**	**6,307**	**–**	**–**	**(6,307)**	**–**	**–**
Other employees and consultants	**106.540**	**6,307**	**–**	**–**	**(6,307)**	**–**	**–**
		12,614	**–**	**–**	**(12,614)**	**–**	**–**

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable 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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Other employees and consultants	**837.20**	**28**	**–**	**–**	**–**	**(26)**	**2**

2012

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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Other employees and consultants	**433.80**	**2,628**	**–**	**–**	**–**	**(2,365)**	**263**

2012

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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Former directors#	**2,397.40**	**91,241**	**–**	**–**	**–**	**(82,117)**	**9,124**
Senior management	**2,397.40**	**58,313**	**–**	**–**	**–**	**(52,481)**	**5,832**
Other employees and consultants	**2,397.40**	**33,821**	**–**	**–**	**–**	**(30,439)**	**3,382**
		183,375	**–**	**–**	**–**	**(165,037)**	**18,338**

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable 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

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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Senior management	**662.20**	**27,235**	**–**	**–**	**–**	**(24,511)**	**2,724**
Other employees and consultants	**662.20**	**53,834**	**–**	**–**	**–**	**(48,451)**	**5,383**
		81,069	**–**	**–**	**–**	**(72,962)**	**8,107**

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable 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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Other employees and consultants	**742.00**	**57,814**	**–**	**–**	**–**	**(52,033)**	**5,781**

2012

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

38. 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:

2013

Name of category of participate	Adjusted exercise price per share after share consolidation HK$	Number of shares issuable under options					
		Outstanding and exercisable at 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year	Outstanding and exercisable at 30 June 2013
Senior management	290.00	12,482	–	–	–	(11,234)	1,248
Other employees and consultants	290.00	45,332	–	–	–	(40,799)	4,533
		57,814	–	–	–	(52,033)	5,781

2012

Name of category of participate	Adjusted exercise price per share HK$	Number of shares issuable under options				
		Outstanding and exercisable at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable 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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Other employees and consultants	**376.80**	**31,535**	**–**	**–**	**–**	**(28,381)**	**3,154**

2012

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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Other employees and consultants	**334.80**	**31,535**	**–**	**–**	**–**	**(28,381)**	**3,154**

2012

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

38. 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:

2013

		Number of shares issuable under options					
Name of category of participate	**Adjusted exercise price per share after share consolidation HK$**	**Outstanding and exercisable at 1 July 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Adjusted during the year**	**Outstanding and exercisable at 30 June 2013**
Senior management	**171.20**	**9,198**	**–**	**–**	**–**	**(8,278)**	**920**
Other employees and consultants	**171.20**	**7,475**	**–**	**–**	**–**	**(6,728)**	**747**
Former directors	**171.20**	**1,314**	**–**	**–**	**–**	**(1,183)**	**131**
		17,987	**–**	**–**	**–**	**(16,189)**	**1,798**

2012

		Number of shares issuable under options				
Name of category of participate	Adjusted exercise price per share HK$	Outstanding and exercisable at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year	Outstanding and exercisable 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

38. 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:

2013

Name of category of participate	Adjusted exercise price per share after share consolidation HK$	Number of shares issuable under options: Outstanding and exercisable at 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year	Outstanding and exercisable at 30 June 2013
Other employees and consultants	277.80	157,674	–	–	–	(141,907)	15,767

2012

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

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.

38. SHARE OPTION SCHEMES (continued)

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

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	31 December 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.

39. 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 interests HK$'000	Total HK$'000
At 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 assets	–	–	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 and 1 July 2012	225,775	38,714	–	52,959	43	(446)	(110,384)	206,661	5,229	211,890
Loss for the year	–	–	–	–	–	–	(1,563,182)	(1,563,182)	(9,581)	(1,572,763)
Other comprehensive loss for the year:										
Exchange difference on consolidation	–	–	–	–	–	(489)	–	(489)	(546)	(1,035)
Total comprehensive loss for the year	–	–	–	–	–	(489)	(1,563,182)	(1,563,671)	(10,127)	(1,573,798)
Issue of convertible notes	–	–	28,011	–	–	–	–	28,011	–	28,011
Issue of convertible notes upon acquisition of subsidiaries	–	–	30,784	–	–	–	–	30,784	–	30,784
Deferred tax liability arising on convertible notes	–	–	(27,092)	–	–	–	–	(27,092)	–	(27,092)
Issue of shares pursuant to the conversion of convertible notes	436,681	–	(21,619)	–	–	–	–	415,062	–	415,062
Issue of shares pursuant to the placing	7,270	–	–	–	–	–	–	7,270	–	7,270
Share placement expenses	(667)	–	–	–	–	–	–	(667)	–	(667)
Non-controlling interests arising on acquisition of subsidiaries (note 40)	–	–	–	–	–	–	–	–	971	971
At 30 June 2013	**669,059**	**38,714**	**10,084**	**52,959**	**43**	**(935)**	**(1,673,566)**	**(903,642)**	**(3,927)**	**(907,569)**

39. RESERVES (continued)

(b) The Company

	Share premium HK$'000	Share option reserves HK$'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 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 notes upon acquisition of available-for-sale financial assets	–	–	11,508	–	–	–	11,508
Deferred tax liability arising on convertible notes	–	–	(1,014)	–	–	–	(1,014)
Redemption of convertible notes	–	–	(11,236)	–	–	7,236	(4,000)
At 30 June 2012 and 1 July 2012	225,775	38,714	–	52,959	43	(111,317)	206,174
Loss and total comprehensive loss for the year	–	–	–	–	–	(1,819,101)	(1,819,101)
Issue of convertible notes	–	–	28,011	–	–	–	28,011
Issue of convertible notes upon acquisition of subsidiaries	–	–	30,784	–	–	–	30,784
Deferred tax liability arising on convertible notes	–	–	(27,092)	–	–	–	(27,092)
Issue of shares pursuant to the conversion of convertible notes	436,681	–	(21,619)	–	–	–	415,062
Issue of shares pursuant to the placing	7,270	–	–	–	–	–	7,270
Share placement expenses	(667)	–	–	–	–	–	(667)
At 30 June 2013	**669,059**	**38,714**	**10,084**	**52,959**	**43**	**(1,930,418)**	**(1,159,559)**

(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).

39. 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 2013, no reserve was available for distribution as dividends to shareholders of the Company (2012: HK$Nil).

40. ACQUISITION OF SUBSIDIARIES

On 31 August 2012, the Group acquired the entire issued share capital of Redgate Ventures at an aggregate consideration of HK$1,750,704,206. Shanghai Dianguang, a wholly owned subsidiary of Redgate Ventures, is principally engaged in provision of advertising placement agency services in television channel. Beijing Yanhuang and its subsidiaries, non-wholly owned subsidiaries of Redgate Ventures, are principally engaged in provision of advertising placement agency services in outdoor displays and media advertisements.

The consideration of HK$1,750,704,206 was payable as follows:

1. HK$290,000,000 in cash;

2. 2-years interest-free unsecured promissory notes in a principal amount of HK$160,000,000; and

3. 3-years zero coupon unsecured convertible notes in an aggregate principal sum of HK$1,300,704,206.

40. ACQUISITION OF SUBSIDIARIES (continued)

The fair value of the net assets acquired and the goodwill arising from the acquisition of Redgate are as follows:

	Carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment (note 15)	457	–	457
Intangible assets (note 16)	4,275	761,196	765,471
Available-for-sale financial assets (note 20)	1	–	1
Accounts receivables	32,402	–	32,402
Prepaid advertising placement service costs	53,848	–	53,848
Prepayments, deposits and other receivables	20,694	–	20,694
Cash and cash equivalents	10,205	–	10,205
Trade payables, accrued expenses and other payables	(261,017)	–	(261,017)
Tax payables (note 35)	(32,492)	–	(32,492)
Deferred tax liabilities (note 36)	(1,069)	(191,367)	(192,436)
Non-controlling interests	(971)	–	(971)
Net assets			396,162
Goodwill arising from acquisition of subsidiaries (note 17)			1,226,254
Total consideration			1,622,416
Satisfied by:			
Cash*			290,000
Issue of promissory notes			147,468
Issue of convertible notes			1,184,948
			1,622,416
Net cash outflow from acquisition:			
Cash and cash equivalents acquired			10,205
Less: Consideration paid in cash and cash equivalents			(210,000)
			(199,795)

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

40. ACQUISITION OF SUBSIDIARIES (continued)

The Group explores new business opportunities to broaden its source of income and expand the business in order to maximise the profit and return for the Group and the shareholders.

Acquisition related costs amounting to approximately HK$1,290,000 have been excluded from consideration transferred and have been recognised as an expense for the year, within the "administrative expenses" in the consolidated statement of profit or loss.

Goodwill arose in the acquisition of Redgate Ventures because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Redgate Ventures. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

The non-controlling interests recognised at the acquisition date was measured by reference to non-controlling interests' proportionate share of the Redgate Venture's net identifiable assets.

Included in the loss for the year ended 30 June 2013 had loss of approximately HK$28,704,000 attributable to Redgate Ventures and its subsidiaries ("Redgate Ventures Group").

Had this business combination been effected at 1 July 2012, the revenue of the Group from would have been HK$140,006,000, and the loss for the year would have been HK$1,579,567,000. The directors of the Company consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

41. 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 years.

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 2013 and 2012.

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

41. CAPITAL RISK MANAGEMENT (continued)

The Group's gearing ratios at 30 June 2013 and 30 June 2012 were as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Debt (note (i))	**1,120,057**	4,400
Cash and cash equivalents (note 28)	**(25,133)**	(4,419)
Net debt	**1,094,924**	(19)
Equity (note (ii))	**(902,102)**	206,756
Net debt to equity ratio	**1.21**	N/A

Notes:

(i) Debt comprises borrowings, promissory notes and convertible notes as detailed in notes 32, 33 and 34 respectively.

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

The debt increased as at 30 June 2013 mainly representing by the issuance of promissory notes and convertible notes for financing the acquisition of Redgate Ventures and the new borrowings obtained for general working capital during the year.

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

42. 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss	**24**	39	**–**	–
Loans and receivables (including cash and cash equivalents)	**114,486**	9,716	**342**	80,471
Available-for-sale financial assets	**235**	78,000	**–**	–
Derivative financial assets	**126**	–	**126**	–
Financial liabilities				
Amortised cost	**1,443,155**	46,745	**1,145,110**	32,239
Derivative financial liabilities	**1,510**	–	**1,510**	–

42. FINANCIAL INSTRUMENTS (continued)

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's and the Company's interest rate risk arises from interest-bearing borrowings. Other borrowings disclosed in note 32 carry at fixed interest rates expose the Group and the Company to fair value interest rate risk. The Group and the Company did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Group and the Company consider that there is no significant cash flow interest rate risk as the Group and the Company do not have variable-rate borrowings.

The Group's and the Company's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

(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 2013 of approximately HK$1,574,052,000 (2012: HK$51,594,000). 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.

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The following table details 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

	2013						2012					
	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 than 5 years	More than 5 years
Trade payables, accrued expenses and other payables	322,902	322,902	322,902	–	–	–	37,891	37,891	37,891	–	–	–
Purchase consideration payable	196	196	196	–	–	–	4,454	4,454	4,454	–	–	–
Borrowings	20,400	20,400	20,400	–	–	–	4,440	4,532	4,532	–	–	–
Promissory notes	152,563	160,000	–	160,000	–	–	–	–	–	–	–	–
Convertible notes	947,094	1,029,230	–	37,000	992,230	–	–	–	–	–	–	–
	1,443,155	1,532,728	343,498	197,000	992,230	–	46,745	46,877	46,877	–	–	–

The Company

	2013						2012					
	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 than 5 years	More than 5 years
Trade payables, accrued expenses and other payables	15,467	15,467	15,467	–	–	–	13,995	13,995	13,995	–	–	–
Purchase consideration payable	196	196	196	–	–	–	4,454	4,454	4,454	–	–	–
Amount due to a subsidiary	9,390	9,390	9,390	–	–	–	9,390	9,390	9,390	–	–	–
Borrowings	20,400	20,400	20,400	–	–	–	4,400	4,532	4,532	–	–	–
Promissory notes	152,563	160,000	–	160,000	–	–	–	–	–	–	–	–
Convertible notes	947,094	1,029,230	–	37,000	992,230	–	–	–	–	–	–	–
	1,145,110	1,234,083	45,453	197,000	992,230	–	32,239	32,371	32,371	–	–	–

42. 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 2013 and 2012 respectively.

Sensitivity analysis

At 30 June 2013, if equity prices at that date had been 5% higher/lower with all other variables held constant, loss after taxation would decrease/increase by approximately HK$1,000 (2012: HK$2,000) 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 2013, the Group had certain concentration of credit risk as 60% (2012: 73%) 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 2013 (2012: 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.

42. 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.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

The Group and the Company

	2013		2012	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Promissory note	**152,563**	**143,988**	–	–
Convertible notes	**947,094**	**851,338**	–	–

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(f) Fair value of financial instruments (continued)

Fair value measurements recognised in the consolidated statement 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).

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 2013							
	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								
Financial assets at fair value through profit or loss								
Trading securities	24	–	–	24	–	–	–	–
Derivative financial assets	–	–	126	126	–	–	126	126
Financial liabilities								
Derivative financial liabilities	–	–	1,510	1,510	–	–	1,510	1,510

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(f) Fair value of financial instruments (continued)

	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								
Financial assets at fair value through profit or loss								
Trading securities	39	–	–	39	–	–	–	–

There were no transfers between instruments in Level 1 and Level 2 during the two years ended 30 June 2013 and 2012.

As at 30 June 2013, conversions option and call option embedded in convertible notes amounting approximately HK$1,510,000 (2012: HK$Nil) and approximately HK$126,000 (2012: HK$Nil) respectively are measured at fair value in Level 3 and the movement under the Level 3 fair value measurements during the year are as follows:

	Derivative financial liabilities- Conversion option HK$'000	**Derivative financial assets- Call option** HK$'000
As at 1 July 2011	–	–
Issue of convertible notes	–	(5,363)
Fair value change of embedded derivatives	–	852
Early redemption	–	4,511
At 30 June 2012 and 1 July 2012	–	–
Issue of convertible notes	2,384	(2,633)
Fair value change	(871)	361
Conversion of convertible notes	(3)	2,146
As at 30 June 2013	**1,510**	**(126)**

43. COMMITMENTS

(a) Operating leases commitment

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases for the Group are payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**1,491**	521
After 1 year but within 5 years	**1,104**	146
	2,595	667

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.

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases for the Company are payable as follows:

	The Company	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**77**	232
After 1 year but within 5 years	**–**	77
	77	309

Operating lease payments represent 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.

43. COMMITMENTS (continued)

(b) Capital commitments

Capital commitments outstanding at 30 June 2013 not provided for in the financial statements of the Group and the Company were as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for:		
Investment in joint venture	**7,000**	7,000
Acquisition of a subsidiary	**–**	1,670,704
	7,000	1,677,704

	The Company	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for:		
Investment in joint ventures	**7,000**	7,000

44. LITIGATION

(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 24 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 17 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, the 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. On 10 July 2013 the Court granted leave to set the case down for trial. The trial of the case was fixed for 3 November 2014 to 14 November 2014 (10 days reserved).

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.

44. LITIGATION (continued)

(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 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.

45. CONTINGENT LIABILITY

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$5,885,000 as at 30 June 2013. 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.

46. MATERIAL RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	2013	2012
	HK$'000	HK$'000
Basic salary, allowance and other benefits	**1,936**	1.064
Recognised retirement pension	**15**	12
	1,951	1,076

47. NON-CASH TRANSACTIONS

On 31 August 2012, the Company acquired the entire issued share capital of Redgate Ventures at a total consideration of HK$1,940,704,206. The consideration of approximately HK$160,000,000 and HK$1,300,704,206 were satisfied by issue of a promissory note and convertible notes respectively.

During the year ended 30 June 2013, convertible note holders exercised their conversion right to convert part of the principal amount into the shares of the Company. Please refer to note 37 to the consolidated financial statements for details.

48. EVENTS AFTER THE REPORTING PERIOD

(i) On 10 July 2013, a convertible note holder exercised his conversion right to convert part of the principal amount of HK$522,031 into 1,373,766 shares in the Company.

(ii) On 30 August 2013, a general and unconditional mandate was refreshed to allow the directors of the Company to allot, issue and otherwise deal with new shares of the Company not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at 30 August 2013.

(iii) On 24 September 2013, the Company entered into a placing agreement with the placing agent pursuant to which the placing agent has agreed to place to not less than six independent placees for up to 30,000,000 shares at a price of HK$0.20 per placing share.

49. RECLASSIFICATION OF COMPARATIVES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

50. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 September 2013.