

INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

Interim Report 2013/2014

(Incorporated in Bermuda with Limited Liability)

(Stock code: 8202)

INNO-TECH



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

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

CORPORATE INFORMATION

Board of Directors

Mr. Chen Chuan (*Chairman*)
Mr. Ang Wing Fung
Mr. Shih Yau Ting, Jackson
Mr. Lee Ho Yiu, Thomas*
Ms. Lu Di*
Mrs. Kwan Leung, Anna*

* 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*

Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)
Ms. Lu Di
Mrs. Kwan Leung, Anna

Remuneration Committee Members

Mr. Ang Wing Fung (*Chairman*)
Mr. Lee Ho Yiu, Thomas
Ms. Lu Di

Nomination Committee Members

Mr. Chen Chuan (*Chairman*)
Mr. Lee Ho Yiu, Thomas
Mrs. Kwan Leung, Anna

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

Principal Share Registrars and Transfer Office

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

Hong Kong Branch Share Registrars and Transfer Office

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

Company Website

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

GEM Stock Code

8202

HIGHLIGHTS

- Revenue for the six months ended 31 December 2013 amounted to approximately HK\$69,265,000, representing an increase of approximately 33.2% as compared to amount reported in the corresponding period in 2012.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$49,730,000 for the six months ended 31 December 2013.
- Basis loss per share amounted to HK\$0.28 for the six months ended 31 December 2013.
- The Board did not recommend the payment of a dividend for the six months ended 31 December 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013

The board of directors ("Board") of Inno-Tech Holdings Limited ("Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 31 December 2013 as follow:-

	Notes	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
		2013 HK\$'000	2012 HK\$'000 (restated)	2013 HK\$'000	2012 HK\$'000 (restated)
Turnover	3	35,236	33,131	69,265	51,988
Cost of sales		(54,641)	(37,285)	(88,562)	(59,780)
Gross loss		(19,405)	(4,154)	(19,297)	(7,792)
Other revenue and net income		3,462	270	3,937	385
Marketing and promotion expenses		(763)	(810)	(1,250)	(1,168)
Administrative expenses		(11,992)	(9,298)	(19,651)	(14,747)
Finance costs		(12,805)	(13,953)	(25,341)	(19,251)
(Loss)/gain on fair value change in trading securities		2	(8)	2	(10)
Loss before income tax	4	(41,501)	(27,953)	(61,600)	(42,583)
Income tax	5	391	(1,026)	2,980	3,598
Loss for the period from continuing operations		(41,110)	(28,979)	(58,620)	(38,985)
Discontinued operation					
Loss for the period from discontinued operation	6	-	(360)	-	(1,161)
Loss for the period		(41,110)	(29,339)	(58,620)	(40,146)
Loss for the period attributable to:					
Owners of the Company		(32,093)	(24,447)	(49,730)	(33,720)
Non-controlling interests		(9,017)	(4,892)	(8,890)	(6,426)
		(41,110)	(29,339)	(58,620)	(40,146)
Loss per share attributable to owners of the Company					
From continued and discontinued operations					
- Basic and diluted	7	(0.16)	(0.25)	(0.28)	(0.53)
From continued operations					
- Basic and diluted	7	(0.16)	(0.24)	(0.28)	(0.51)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013

	Notes	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss for the period		(41,110)	(29,339)	(58,620)	(40,146)
Other comprehensive loss					
Exchange difference acting on translation of foreign operations		(387)	(367)	(627)	(142)
Total comprehensive loss for the period		(41,497)	(29,706)	(59,247)	(40,288)
Total comprehensive loss attributable to:					
Owners of the Company		(32,347)	(24,814)	(50,224)	(33,862)
Non-controlling interests		(9,150)	(4,892)	(9,023)	(6,426)
		(41,497)	(29,706)	(59,247)	(40,288)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	Unaudited 31 December 2013	Audited 30 June 2013
Non-current assets			
Property, plant and equipment	9	726	870
Intangible assets	10	223,417	241,231
Goodwill	11	278,429	278,429
Available-for-sale financial assets	12	235	235
		502,807	520,765
Current assets			
Trading securities	13	26	24
Accounts receivable	14	28,337	31,944
Prepayments, deposits and other receivables	15	57,547	57,651
Prepaid advertising placement service costs		18,122	18,699
Derivative financial assets	18	126	126
Tax recoverable		177	1,371
Cash and cash equivalents		22,621	25,133
		126,956	134,948
Current liabilities			
Trade payables, accrued expenses and other payables	16	334,801	334,148
Purchase consideration payable		196	196
Borrowings	17	20,400	20,400
Derivative financial liabilities	18	1,510	1,510
Tax payable		37,791	33,061
Convertible notes	18	35,161	–
Promissory notes	19	155,732	–
		585,591	389,315
Net current liabilities		(458,635)	(254,367)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2013

	Notes	Unaudited 31 December 2013	Audited 30 June 2013
Total assets less current liabilities		44,172	266,398
Non-current liabilities			
Deferred taxation		61,007	72,770
Convertible notes	18	610,348	947,094
Promissory notes	19	–	152,563
		671,355	1,172,427
NET LIABILITIES		(627,183)	(906,029)
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	2,664	1,540
Reserve		(616,897)	(903,642)
		(614,233)	(902,102)
Non-controlling interest		(12,950)	(3,927)
TOTAL EQUITY		(627,183)	(906,029)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Attributable to owners of the Company										Non-controlling interest	Total
	Share capital	Share premium	Share options reserve	Convertible notes/bonds reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Accumulated losses	Attributable to owners of the Company			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012	95	225,775	38,714	-	52,959	43	(446)	(110,384)	206,756	5,229	211,985	
Loss for the period	-	-	-	-	-	-	-	(33,720)	(33,720)	(6,426)	(40,146)	
Exchange difference on consolidation	-	-	-	-	-	-	(142)	-	(142)	-	(142)	
Total comprehensive loss for the period	-	-	-	-	-	-	(142)	(33,720)	(33,862)	(6,426)	(40,288)	
Issue of convertible notes	-	(6,000)	-	28,866	-	-	-	-	22,866	-	22,866	
Exercise of convertible notes	449	155,217	-	-	-	-	-	-	155,666	-	155,666	
Deferred tax liability arising on convertible bonds	-	-	-	(4,329)	-	-	-	-	(4,329)	-	(4,329)	
Exercise of convertible bonds	429	159,362	-	(19,998)	-	-	-	-	139,793	-	139,793	
Issue of shares	19	1,055	-	-	-	-	-	-	1,074	-	1,074	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	7,515	7,515	
At 31 December 2012	992	535,409	38,714	4,539	52,959	43	(588)	(144,104)	487,964	6,318	494,282	
At 1 July 2013	1,540	669,059	38,714	10,084	52,959	43	(935)	(1,673,566)	(902,102)	(3,927)	(906,029)	
Loss for the period	-	-	-	-	-	-	-	(49,730)	(49,730)	(8,890)	(58,620)	
Exchange difference on consolidation	-	-	-	-	-	-	(494)	-	(494)	(133)	(627)	
Total comprehensive loss for the period	-	-	-	-	-	-	(494)	(49,730)	(50,224)	(9,023)	(59,247)	
Exercise of convertible notes	440	327,893	-	(2,641)	-	-	-	-	325,692	-	325,692	
Issue of shares	684	11,717	-	-	-	-	-	-	12,401	-	12,401	
At 31 December 2013	2,664	1,008,669	38,714	7,443	52,959	43	(1,429)	(1,723,296)	(614,233)	(12,950)	(627,183)	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Net cash used in operating activities	(14,310)	(3,774)
Net cash used in investing activities	(45)	(199,896)
Net cash generated from financing activities	12,401	214,074
Decrease in cash and cash equivalents	(1,954)	10,404
Cash and cash equivalents at the beginning of the period	25,133	4,419
Effect of foreign exchange rate change	(558)	(414)
Cash and cash equivalent at the end of the period	22,621	14,409
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	22,621	14,409
Bank overdrafts	-	-
Cash and cash equivalents	22,621	14,409

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2013 (“Interim Results”) have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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

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

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group notwithstanding that the Group incurred a loss attributable to the owners of the Company approximately HK\$49,730,000 (2012: HK\$33,720,000) and had net liabilities of approximately HK\$627,183,000 as at 31 December 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

On 24 September 2013, the Group entered into a placing agreement 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.

On 3 December 2013, the Group entered into a placing agreement with the placing agent to place to not less than six independent placees for up to 38,383,688 shares on a fully underwritten basis at a price of HK\$0.18 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.

1. BASIS OF PREPARATION OF THE ACCOUNTS (Continued)

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.

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 unaudited 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 unaudited 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.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparation of the Interim Results are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2013 ("Annual Financial Statements"). The Interim Results should be read in conjunction with the Annual Financial Statements.

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

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

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HKFRS (Amendments)	Annual Improvements 2009 – 2011 Cycle ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
HK(IFRIC) – Int 21	Levies ¹

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

² Effective for annual periods beginning on or after 1 January 2015

3. 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 period is as follows:

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Continuing operations		
Outdoor advertising on buses and bus stations	29,013	21,618
Outdoor advertising on billboards and outdoor display spaces	37,287	21,365
Income from television advertisements	2,965	9,005
	69,265	51,988

4. LOSS BEFORE INCOME TAX

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Continuing operations		
Finance cost		
Interest on bank loans and overdrafts wholly repayable within five years	1,939	1,293
Interest on convertible notes	20,233	15,073
Interest on promissory notes	3,169	2,041
Other loan interest	–	844
Staff cost	8,091	6,874
Amortisation of intangible assets	17,814	9,075
Depreciation on owned assets	189	194
Operating lease charge in respect of office premises	1,143	1,213

5. INCOME TAX

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

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Current tax		
PRC Enterprise Income Tax	4,484	1,992
Deferred tax		
Current period	(7,464)	(5,590)
	(2,980)	(3,598)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2012: HK\$Nil).

6. DISCONTINUED OPERATION

During the year ended 30 June 2013, the intelligent system business was terminated. The comparative consolidated statement of profit or loss and related notes have been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period.

6. 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 31 December 2013 are set out below:

	Unaudited six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Turnover	–	253
Cost of sales	–	–
Gross profit	–	253
Other revenue and other net income	–	–
Marketing and promotion expenses	–	(6)
Administrative expenses	–	(1,403)
Loss before income tax	–	(1,156)
Income tax	–	(5)
Loss for the period from discontinued operation	–	(1,161)
Loss attributable to:		
Owners of the Company	–	(1,161)
Loss for the period from discontinued operation included in the followings:–		
Depreciation	–	1,178
Staff costs	–	180
Cash flows from discontinued operation:		
Net cash flows used in operating activities	–	(21)
Net cash outflows	–	(21)

7. LOSS PER SHARE

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

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

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

From continuing and discontinued operations

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

	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss for the period attributable to:				
Owners of the Company	(32,093)	(24,447)	(49,730)	(33,720)
	Number of shares three months ended 31 December		Number of shares six months ended 31 December	
	2013 (Unaudited)	2012 (Unaudited – restated)	2013 (Unaudited)	2012 (Unaudited – restated)
	'000	'000	'000	'000
Weight average number of ordinary shares for basic and diluted loss per share calculation	204,771	98,521	179,986	63,630

7. LOSS PER SHARE (Continued)

From continuing operations

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

	Unaudited three months ended 31 December		Unaudited six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss for the period attributable to:				
Owners of the Company	(32,093)	(24,087)	(49,730)	(32,559)

	Number of shares three months ended 31 December		Number of shares six months ended 31 December	
	2013 (Unaudited) '000	2012 (Unaudited – restated) '000	2013 (Unaudited) '000	2012 (Unaudited – restated) '000
Weight average number of ordinary shares for basic and diluted loss per share calculation	204,771	98,521	179,986	63,630

8. SEGMENT INFORMATION

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

The Group has the following continuing operating segments during the period. These segments are managed separately. No operating segment 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

8. SEGMENT INFORMATION (Continued)

(a) Business segments

Segment information about these businesses is set out as follows:

For the six months ended 31 December 2013				
	Outdoor advertising on buses and bus stations (unaudited) HK\$'000	Outdoor advertising on billboards and outdoor display spaces (unaudited) HK\$'000	Television advertisements (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue				
Revenue from external customers	29,013	37,287	2,965	69,265
Reportable segment profit/(loss)	1,276	(20,562)	(15,592)	(34,878)
Depreciation and amortization	4,318	76	13,521	17,915
Reportable segment assets	19,197	99,188	507,124	625,509
Reportable segment liabilities	5,972	319,095	26,792	351,859

For the six months ended 31 December 2012				
	Outdoor advertising on buses and bus stations (unaudited – restated) HK\$'000	Outdoor advertising on billboards and outdoor display spaces (unaudited – restated) HK\$'000	Television advertisements (unaudited – restated) HK\$'000	Total (unaudited – restated) HK\$'000
Segment revenue				
Revenue from external customers	21,618	21,365	9,005	51,988
Reportable segment (loss)/profit	(8,946)	(7,633)	1,737	(14,842)
Depreciation and amortization	8,036	1,143	3	9,182
Reportable segment assets	94,855	1,360,728	539,971	1,995,554
Reportable segment liabilities	6,542	282,829	467	289,838

8. SEGMENT INFORMATION (Continued)

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

	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000 (restated)
Turnover		
Reportable segments' revenues	69,265	51,988
Elimination of inter-segment revenue	-	-
	69,265	51,988
	Unaudited Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000 (restated)
Loss before income tax		
Reportable segment loss	(34,878)	(14,842)
Other revenue and other net income	3,495	2
Finance costs	(23,403)	(19,251)
Unallocated head office and corporate expenses	(6,814)	(8,492)
Consolidated loss before income tax	(61,600)	(42,583)

8. SEGMENT INFORMATION (Continued)

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

	Unaudited 31 December	
	2013 HK\$'000	2012 HK\$'000 (restated)
Total assets		
Reportable segment assets	625,509	1,995,554
Elimination of inter-segment receivables	–	–
	625,509	1,995,554
Discontinued operation:		
intelligent system	23	221
Interests in associates (accounted for by the equity method)	–	87
Unallocated		
– Available-for-sale investments	235	78,000
– Others	3,996	1,369
	629,763	2,075,231
Consolidated total assets	629,763	2,075,231
	Unaudited 31 December	
	2013 HK\$'000	2012 HK\$'000 (restated)
Total liabilities		
Reportable segment liabilities	351,859	289,838
Elimination of inter-segment payables	–	–
	351,859	289,838
Discontinued operation:		
intelligent system	11,392	12,641
Deferred tax liabilities	61,007	10,656
Convertible notes	645,509	1,047,501
Promissory notes	155,732	149,569
Others	31,447	70,744
	1,256,946	1,580,949

8. SEGMENT INFORMATION (Continued)

(c) Geographic information

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

9. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 2013 HK\$'000
Net carrying amount as at 1 July	870
Additions	45
Depreciation	(189)
Net book value as at 31 December	726

10. INTANGIBLE ASSETS

	Unaudited 2013 HK\$'000
Net carrying amount as at 1 July	241,231
Amortisation	(17,814)
Net carrying amount as at 31 December	223,417

11. GOODWILL

	Unaudited 2013 HK\$'000
Net carrying amount as at 1 July	278,429
Written-off during the period	-
Net carrying amount as at 31 December	278,429

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Unlisted equity securities, at cost:		
China New Media (HK) Limited (i)	78,000	78,000
Global Media Productions Limited (ii)	1	1
	78,001	78,001
Accumulated impairment		
At the beginning of period/year	(77,766)	–
Impairment loss recognized	–	(77,766)
At the end of the period/year	(77,766)	(77,766)
	235	235

(i) 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. China New Media is engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings.

(ii) Global Media Productions Limited (“Global Media”)

Upon the completion of acquisition of Redgate Ventures, the Group indirectly owned 15% equity interest in Global Media. As at the six months ended 31 December 2013 and the year ended 30 June 2013, the carrying value of the Group’s investment in Global Media is HK\$1,000. No impairment was recognized during the six months ended 31 December 2013.

13. TRADING SECURITIES

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Listed securities:		
– Equity securities listed in Hong Kong	26	24

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

14. ACCOUNTS RECEIVABLE

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Trade debtors	28,743	32,350
Less: allowance for doubtful debts	(406)	(406)
	28,337	31,944

The ageing analysis of account receivables is as follows:

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Current	19,284	63
Less than 1 month past due	873	158
1 to 3 months past due	1,521	16,624
Over 3 months past due	6,659	15,099
	28,337	31,944

14. ACCOUNTS RECEIVABLE (Continued)

The movements in the impairment loss on accounts receivable during the six months ended 31 December 2013 and year ended 30 June 2013 are as follows:–

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
At the beginning of the period/year	406	–
Impairment loss recognized	–	400
Exchange realignment	–	6
At the end of the period/year	406	406

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

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Past due but not impaired:		
– Less than 1 months past due	2,394	16,782
– Over 3 months past due	6,659	15,099
Neither past due nor impaired	9,053	31,881
	19,284	63
	28,337	31,944

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Prepayments	4,347	4,593
Rental and utility deposits	67	242
Other deposits	4,639	3,654
Other receivables	50,137	50,805
	59,190	59,294
Less: Impairment loss on other receivables	(1,643)	(1,643)
At the end of period/year	57,547	57,651

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
At the beginning of the period/year	1,643	1,643
Impairment loss recognized	-	-
At the end of period/year	1,643	1,643

16. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Trade payables	41,984	27,108
Accrued expenses and other payables	286,560	295,794
Receipts in advance	6,257	11,246
	334,801	334,148

16. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES (Continued)

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

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Less than 1 month	409	–
1 to 3 months	18,295	10,771
3 to 6 months	2,938	10,145
6 months to 1 year	5,662	2,808
Over 1 year	14,680	3,384
	41,984	27,108

17. BORROWINGS

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Other loans, unsecured	20,400	20,400

As at 31 December 2013, the borrowings are unsecured, bears interest between 1% to 3% per annum and contain a repayment on demand clause.

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 31 December 2013 and 30 June 2013.

18. CONVERTIBLE INSTRUMENTS

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Liability components		
At the beginning of the period/year	947,094	–
Issue of convertible notes	–	1,320,402
Exercise of convertible notes	(321,818)	(408,985)
Interest charges	20,233	35,677
At the end of the period/year	645,509	947,094
Less: Amount due within one year	(35,161)	–
Amount due after one year	610,348	947,094
Derivative financial asset components		
At the beginning of the period/year	126	–
Issue of convertible notes	–	2,633
Fair value change	–	(361)
Exercise of convertible notes	–	(2,146)
At the end of the period/year	126	126
Derivative financial liability components		
At the beginning of the period/year	1,510	–
Issue of convertible notes	–	2,384
Fair value change	–	(871)
Exercise of convertible notes	–	(3)
At the end of the period/year	1,510	1,510

19. PROMISSORY NOTES

On 31 August 2012, the company issued HK\$160,000,000 unsecured redeemable promissory notes in connection with the acquisition of 100% equity interest in the Redgate Ventures Group. The promissory notes are repayable in one lump sum on maturity of two years. The promissory notes were interest free. The company has the right to repay the promissory notes prior to the maturity to the note-holders.

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
At the beginning of the period/year	152,563	–
Issue of promissory notes	–	147,468
Interest charges	3,169	5,095
At the end of the period/year	155,732	152,563
Less: Amount due within one year	(155,732)	–
Amount due after one year	–	152,563

20. SHARE CAPITAL

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Authorised:		
300,000,000,000 shares of HK\$0.01 each	300,000	300,000
Issued and fully paid:		
266,354,756 shares of HK\$0.01 each (30 June 2013: 153,961,815 shares of HK\$0.01 each)	2,664	1,540
	Number of shares '000	Nominal value HK\$'000
At 30 June 2013	153,961	1,540
Placement of shares (Note (i))	68,384	684
Exercise of convertible notes (note (ii))	44,010	440
As 31 December 2013	266,355	2,664

20. SHARE CAPITAL (Continued)

Notes:

(i) On 24 September 2013, the Company entered into the 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 placing shares at a price of HK\$0.20 per placing share. The placing was completed on 9 October 2013.

On 3 December 2013, 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 38,383,688 placing shares on a fully underwritten basis to the placees who are independent third parties at the placing price of HK\$0.18 per placing share. The placing was completed on 11 December 2013.

(ii) During the six months ended 31 December 2013, the convertible notes amounted to HK\$167,235,182 were converted into 44,009,253 ordinary shares of the company.

21. COMMITMENTS

(i) Operating lease commitments

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

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Within 1 year	33,095	1,491
Over 1 year but within 5 years	15,803	1,104
	48,898	2,595

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

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Within 1 year	1,383	77
Over 1 year but within 5 years	225	-
	1,608	77

21. **COMMITMENTS (Continued)**

(ii) **Capital commitments**

	Unaudited 31 December 2013 HK\$'000	Audited 30 June 2013 HK\$'000
Contracted but not provided for: Investment in joint venture	7,000	7,000

22. **COMPARATIVE FIGURES**

As details in Note 7, the company's basic and diluted losses per share figures for the prior period ended have been restated to conform with current period's presentation.

DIVIDEND

The Directors did not recommend the payment of a dividend for the six months ended 31 December 2013 (2012: Nil).

BUSINESS REVIEW

For the six months ended 31 December 2013, the Group's unaudited consolidated turnover amounted to approximately HK\$69,265,000 (2012: HK\$51,988,000).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$49,730,000 for the six months ended 31 December 2013 (2012: HK\$33,720,000). The loss was mainly result from amortisation of intangible assets and finance costs on the promissory notes and convertible notes.

Basic loss per share for the six months ended 31 December 2013 was HK\$0.28 (2012: HK\$0.53).

Advertising business of Redgate Ventures Group

Redgate Ventures Limited ("Redgate Ventures") is a major media investment holding company built by a team of career media professionals from some of the world's largest media companies. Redgate Ventures and its subsidiaries (collectively refer as "Redgate Ventures Group") operates its current business in advertising across a wide array of billboards, television airtime and other mass media, which are all positioned to reach China's fast-growing class of increasingly-affluent domestic consumers. Redgate Ventures Group provides advertising and advertising agency services to clients who advertise across a wide range of media. The Directors consider that there is synergy between the present business of the Group and those of the Redgate Ventures Group, in terms of business model and source of revenue.

For the six months ended 31 December 2013, the Group recorded revenue of approximately HK\$40,252,000 were contributed by Redgate Ventures Group and accounted for approximately 58.1% of the Group's turnover.

Bus advertising business in Shijiazhuang

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

During the six months ended 31 December 2013, although the outdoor advertising business faced with a tough operating environment, the Group's bus advertising business in PRC reported a 34.2% increase in revenue to HK\$29,013,000 from HK\$21,618,000 in the corresponding period in 2012.

Capital Structure

During the six months ended 31 December 2013, the convertible notes amounting to HK\$167,235,182 were converted into 44,009,253 ordinary shares of the company.

On 24 September 2013, 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 30,000,000 placing shares on a fully underwritten basis to the placee who is an independent third party at the placing price of HK\$0.20 per placing share. The placing was completed on 9 October 2013.

On 3 December 2013, 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 38,383,688 Placing Shares on a fully underwritten basis to the Placees who are an Independent Third Parties at the Placing Price of HK\$0.18 per Placing Share. The placing was completed on 11 December 2013.

As at 31 December 2013, the Company's issued share capital was HK\$2,663,547.56 and the number of its issued ordinary shares was 266,354,756 shares of HK\$0.01 each ("Shares").

OUTLOOK

Outdoor advertising and television advertisements businesses

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

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

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

There were no material acquisitions and disposals of investments by the Group during the six months ended 31 December 2013.

CONVERTIBLE NOTES

The placing of the convertible bonds in aggregate principal amount of HK\$200,000,000 (“Placing CBs”) was completed on 29 August 2012. The net proceeds from the placing amounting 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 an initial conversion price of HK\$3.8 per Share during the conversion period. As at 31 December 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\$3.8 per Share during the conversion period. As at 31 December 2013, the Redgate CN1 & CN2 with the principal amount of HK\$470,354,044 have been converted into Shares of the Company.

On 31 August 2012, the Company issued convertible notes with the principal amount of HK\$140,704,206 as consideration for acquisition of 100% of Redgate Ventures (“Redgate CN3”). The Redgate CN3, with maturity date is 30 August 2015, is convertible into Shares at the conversion price of HK\$2.35 per Share during the conversion period. As at 31 December 2013, the Redgate CN3 with the principal amount of HK\$134,890 have been converted into Shares of the Company.

FOREIGN CURRENCY RISK

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

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

As at 31 December 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 HK\$ functional currency Group entities.

As at 31 December 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.

EMPLOYEES

The number of employees (including Directors) was 95 as at 31 December 2013 (2012: 124), and the total staff costs (including Directors’ remuneration) for the six months ended 31 December 2013 was approximately HK\$8,091,000 (2012: HK\$7,054,000). Other benefits provided by the Group to the employees include MPF and medical coverage.

SHARE OPTION SCHEME

Post-IPO Share Option Scheme

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

	Date of grant	Number of share options				Outstanding as at 31 December 2013	Option period	Exercise price per share
		Outstanding as at 1 July 2013	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	6 January 2004	2	-	-	-	2	6 January 2004 to 5 January 2014	HK\$837.20
	20 September 2005	263	-	-	-	263	20 September 2005 to 19 September 2015	HK\$433.80
	23 August 2007	18,338	-	-	-	18,338	23 August 2007 to 22 August 2017	HK\$2,397.40
	9 September 2008	8,107	-	-	-	8,107	9 September 2008 to 8 September 2018	HK\$662.20
	11 September 2008	5,781	-	-	-	5,781	11 September 2008 to 10 September 2018	HK\$742.00
	16 December 2008	5,781	-	-	-	5,781	16 December 2008 to 15 December 2018	HK\$290.00
	17 February 2009	3,154	-	-	-	3,154	17 February 2009 to 16 February 2019	HK\$376.80
	29 May 2009	3,154	-	-	-	3,154	29 May 2009 to 28 May 2019	HK\$334.80
	31 December 2009	1,798	-	-	-	1,798	31 December 2009 to 30 December 2019	HK\$171.20
	15 January 2010	15,767	-	-	-	15,767	15 January 2010 to 14 January 2020	HK\$2,778.00
Total		62,145	-	-	-	62,145		

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

Directors' and chief executives' interest in the Company

As at 31 December 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 31 December 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	60.59%
Carroway Holdings Limited	Beneficial owner	28,178,948	63,026,315	91,205,263	34.24%
United Industrial Services Limited	Beneficial owner	-	24,563,630	24,563,630	9.22%
Kuwait China Investment Company K.S.C	Beneficial owner	-	18,445,891	18,445,891	6.93%
AsiaStar IT Fund LP	Beneficial owner	-	17,327,724	17,327,724	6.50%
Uni-Asia Limited	Beneficial owner	-	14,714,767	14,714,767	5.52%
Universal Portfolio Holdings Limited	Interested of controlled corporation (Note 2)	-	14,714,767	14,714,767	5.52%
Yasmine Holdings Limited	Interested of controlled corporation (Note 3)	-	14,714,767	14,714,767	5.52%
Hamilton Trust and Management Company Limited	Interested of controlled corporation (Note 4)	-	14,714,767	14,714,767	5.52%
Al-Saleh Fawzi M	Interested of controlled corporation (Note 5)	-	14,714,767	14,714,767	5.52%
Peter Bush Brack	Beneficial owner	-	13,842,105	13,842,105	5.20%

Notes:

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



Save as disclosed above, as at 31 December 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 December 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 31 December 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 31 December 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.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 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 six months ended 31 December 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.

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 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.

- (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.

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 branches of 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\$324,000 as at 31 December 2013. In addition, the respective local branches of 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.

AUDIT COMMITTEE

The audit committee was set up on 5 July 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee ("AC") are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this interim report, the AC comprises of three members, Mr. Lee Ho Yiu, Thomas, Ms. Lu Di and Mrs. Kwan Leung, Anna, all are being independent non-executive Directors. The Interim Results have been reviewed by the AC, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made. The AC is chaired by Mr. Lee Ho Yiu, Thomas.

REMUNERATION COMMITTEE

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



NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“Corporate Governance Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Corporate Governance Code and complied with the code provisions set out in the Corporate Governance Code for the six months ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this interim report, there is sufficient public float of the Company’s issued shares as required under the GEM Listing Rules throughout the six months ended 31 December 2013.

PUBLICATION OF INFORMATION ON WEBSITES

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

By order of the Board

Chen Chuan

Chairman

Hong Kong, 13 February 2014

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

Executive Directors:

Mr. Chen Chuan (*Chairman*)

Mr. Ang Wing Fung

Mr. Shih Yau Ting, Jackson

Independent Non-Executive Directors:

Mr. Lee Ho Yiu, Thomas

Ms. Lu Di

Mrs. Kwan Leung, Anna