INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

Annual Report 15/16

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

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

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Inno-Tech Holdings Limited (the "Company") 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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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 matters the omission of which would make any statement herein or in this report misleading.

Contents

BOARD OF DIRECTORS

Mr. Ha Chuen Yeung
Mr. Lau King Hang
Dr. Chan Yiu Wing
Mr. Lee Ho Yiu, Thomas*
Mr. Tse Yuen Ming*
Ms. Liu Jianyi*

* *Independent non-executive Directors*

COMPLIANCE OFFICER

Mr. Ha Chuen Yeung

AUTHORISED REPRESENTATIVES

Mr. Ha Chuen Yeung
Ms. Leung Pui Ki

COMPANY SECRETARY

Ms. Leung Pui Ki

AUDIT COMMITTEE MEMBERS

Mr. Lee Ho Yiu, Thomas *(Chairman)*
Mr. Tse Yuen Ming
Ms. Liu Jianyi

NOMINATION COMMITTEE MEMBERS

Ms. Liu Jianyi *(Chairman)*
Mr. Lee Ho Yiu, Thomas
Mr. Tse Yuen Ming
Dr. Chan Yiu Wing
Mr. Lau King Hang

REMUNERATION COMMITTEE MEMBERS

Ms. Liu Jianyi *(Chairman)*
Mr. Lee Ho Yiu, Thomas
Mr. Lau King Hang

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite B, 6/F., One Capital Place
18 Luard Road, Wan Chai
Hong Kong

AUDITOR

Elite Partners CPA Limited *(appointed on 8 August 2016)*
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Lam & Co Solicitors *(as to Hong Kong Laws)*
Tang, Tso & Lau Solicitors *(as to Hong Kong Laws)*

PRINCIPAL BANKER

Dah Sing Bank Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

COMPANY WEBSITE

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church 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 2016 HK$'000	Year ended 30 June 2015 HK$'000	Year ended 30 June 2014 HK$'000	Year ended 30 June 2013 HK$'000 (restated)	Year ended 30 June 2012 HK$'000
Revenue	**42,208**	39,218	51,375	55,847	48,283
Cost of sales	**(41,163)**	(70,440)	(76,151)	(90,602)	(53,980)
Gross profit/(loss)	**1,045**	(31,222)	(24,776)	(34,755)	(5,697)
Other revenue and other income*	**195**	769,456	3,513	517	1,050
Marketing and promotion expenses	**(842)**	(1,795)	(1,783)	(1,635)	(2,052)
Administrative expenses	**(34,837)**	(277,230)	(346,204)	(328,540)	(47,529)
(Loss)/profit before income tax	**(34,439)**	459,209	(369,250)	(364,413)	(54,228)
Income tax	**130**	55,135	13,041	19,195	2,634
(Loss)/profit from continuing operations	**(34,309)**	514,344	(356,209)	(345,218)	(51,594)
Profit/(loss) for the year from discounted operations	**–**	206,249	(21,428)	(1,227,545)	–
(Loss)/profit for the year	**(34,309)**	720,593	(377,637)	(1,572,763)	(51,594)
(Loss)/profit attributable to:–					
Owners of the Company	**(34,309)**	716,253	(371,458)	(1,563,182)	(47,160)
Non-controlling interest	**–**	4,340	(6,179)	(9,581)	(4,434)
	(34,309)	720,593	(377,637)	(1,572,763)	(51,594)

* *Other revenue and other income included changes in fair value of financial assets at fair value through profit or loss, changes in fair value of derivative financial instruments and gain arising from redemption of convertible notes and gain from extension of promissory note.*

Note: The figures for the year ended 30 June 2013 have been re-represented as if the outdoor advertising on billboards and outdoor display spaces segment has been discontinued at the beginning of the year ended 30 June 2013, the earliest period presented.

			As at 30 June		
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Total assets	**31,097**	34,995	330,821	655,713	271,900
Total liabilities	**(165,427)**	(136,060)	(1,345,193)	(1,561,742)	(59,915)
Shareholders' funds	**(134,330)**	(101,065)	(1,003,814)	(902,102)	206,756
Non-current assets	**1,012**	1,800	210,483	520,765	173,376
Current assets	**30,085**	33,195	120,338	134,948	98,524
Current liabilities	**(155,321)**	(135,824)	(596,144)	(389,315)	(48,798)
Non-current liabilities	**(10,106)**	(236)	(749,049)	(1,172,427)	(11,117)

BUSINESS AND FINANCIAL PERFORMANCE

Inno-Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in buses and bus stations advertising business in the People's Republic of China (the "PRC").

The Group reported a revenue of approximately HK$42,208,000 for the year ended 30 June 2016, representing an increase of approximately 7.6% compared with the revenue of approximately HK$39,218,000 for the year ended 30 June 2015. During the 12 months of operation, all the revenue contributed from advertising business.

The marketing and promotion expenses for the year ended 30 June 2016 amounted to approximately HK$842,000, which were arising from the buses and bus stations advertising business, representing a reduction of HK$953,000 or 53.1% as compared with that of HK$1,795,000 in the last corresponding year. The reduction was resulted from the effective cost control management during the year.

The administrative expenses for the year ended 30 June 2016 decreased by approximately HK$12,349,000 to approximately HK$17,261,000 (2015: approximately HK$29,610,000), which was mainly due to the payment of legal and professional fees for the other corporate transactions was made in the last corresponding year.

Basic loss per share from continuing operations as at 30 June 2016 was HK$0.04 (2015: basic earnings per share HK$0.91).

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: Nil).

Buses and bus stations advertising business in PRC

The Group continues to focus on the business operations of having outdoor advertising on buses and bus stations. It now pursues the development in the following possible ways:

- Expands the advertising network;
- Expands the customer base;
- Increases the utilization of the Group's media resources;
- Enhances pricing strategy; and
- Focuses on sales and marketing.

During the year ended 30 June 2016, the Group's bus advertising business in PRC reported a 7.6% increase in revenue to HK$42,208,000 from HK$39,218,000 in 2015.

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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the net current liabilities of the Group were approximately HK$125,236,000 (2015: net current liabilities HK$102,629,000). Out of the current assets as at 30 June 2016, approximately HK$5,438,000 (2015: HK$7,506,000) were cash and cash equivalents. The current ratio of the Group as at 30 June 2016 was 0.19 (2015: 0.24). As at 30 June 2016, the Group has borrowings of HK$54,500,000 (2015: HK$42,000,000) and other debts (include the principal amount of promissory notes) of HK$50,000,000 (30 June 2015: HK$46,693,000) denominated in Hong Kong dollars. The net debt (i.e. total short-term borrowings and other debts less cash and cash equivalent) as at 30 June 2016 was HK$89,062,000 (2015: HK$81,187,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 June 2016 was Nil (2015: Nil).

The Group did not have any stand-by banking facilities at 30 June 2016 and 2015.

As at 30 June 2016, the Group had cash and cash equivalents (the "Liquidity Resources") of approximately HK$5,438,000 (2015: HK$7,506,000) which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings and equity financing.

Save as disclosed in this annual report, the Group has no material capital expenditure commitments as at 30 June 2016.

CAPITAL STRUCTURE

As at 30 June 2016, the Company's issued share capital was HK$79,624,678.40 and the number of its issued ordinary shares was 796,246,784 of HK$0.10 each.

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

The Group did not make any material acquisition or disposal during the year.

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.

CHARGES OF ASSETS

The Company has charged all its equity interests in four companies wholly owned by the Company to secure the borrowing of the Group as at 30 June 2016 and 2015.

FOREIGN CURRENCY EXCHANGE RISK

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2016, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB, used by the respective group entities.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 2016, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 June 2016, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total 46 employees (2015: 44), and the total remuneration for the year ended 30 June 2016 was approximately HK$7,218,000 (2015: HK$8,881,000). 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 2016 (2015: Nil) and no interim dividend was paid during the year (2015: Nil).

MATERIAL EVENTS AFTER THE REPORTING DATE

Details of events after the reporting period of the Group are set out in note 38 to the financial statements.

CONTINGENT LIABILITIES

The Group did not have any other significant contingent liabilities as at 30 June 2016.

LITIGATIONS

During the year and up to the date of this annual report, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in note 36 to the financial statements.

RESUMPTION OF TRADING

Trading in the shares of the Company on the GEM of the Stock Exchange has been suspended from 26 January 2015. On 23 April 2015, the Stock Exchange has imposed conditions (the “Resumption Conditions”) on top of the general compliance with the GEM Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. On 12 August 2016, the Company announced that all the Resumption Conditions have been fulfilled. The trading in the shares of the Company was resumed on 15 August 2016. For details, please refer to the announcements of the Company dated 15 May 2015 and 12 August 2016.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Ha Chuen Yeung, *aged 29*

Mr. Ha Chuen Yeung ("Mr. Ha") holds a Higher Diploma in Applied Art at Hong Kong Art School. Mr. Ha was engaged in advertising, multi-media and interactive media creation work after graduation, and has been Managing Director and Creative Director at Da-M-Pire Studio. Apart from his directorship with the Group, Mr. Ha currently does not hold any directorship In any other listed company in last three years.

Mr. Lau King Hang, *aged 45*

Mr. Lau King Hang ("Mr. Lau") graduated from National Taiwan University with a Bachelor's degree in Chemistry and received a Master's degree in Business Administration and a Master's degree in Financial Services from The Open University of Hong Kong. He is a member of The Hong Kong Institute of Directors and is a member of The Hong Kong Management Association and obtained the title of Professional Manager. Mr. Lau has over 18 years of extensive management experience in sales and marketing in high technology and chemical industry; packaging and printing services, food and beverage operations; and investments experience. Mr. Lau has served as executive director of Mascotte Holdings Limited (Stock Code: 136) from June 2011 to March 2014 and Mission Capital Holdings Limited (Stock Code: 1141) from August 2014 to July 2015.

Dr. Chan Yiu Wing, *aged 63*

Dr. Chan Yiu Wing ("Dr. Chan") holds a doctor of business administration in The Hong Kong Polytechnic University in 2002 and a PhD in Buddhism in The University of Hong Kong in 2013. Dr. Chan has been working in the Hong Kong Police Force for 25 years till the position of a Senior Superintendent and then continue to work as a Chief Staff Officer, AMS for a further 10 years. He is currently the advisor of the Hong Kong Life-Saving Society. Dr. Chan has also received the Chief Executive's Commendation for Government Public Service in 2004 and 6 Commanding Officer's Commendations when he was working in under the Hong Kong Police Force. Apart from his directorship with the Group, Dr. Chan currently does not hold any directorship In any other listed company in last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Ho Yiu, Thomas, *aged 38*

Mr. 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 member 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 has served as an independent non-executive director of Ban Loong Holdings Limited (formerly known as ABC Communications (Holdings) Limited) (stock code: 00030) from January 2011 to February 2013. Mr. Lee is currently an independent non-executive director of Dongwu Cement International Limited (stock code: 00695), Suncorp Technologies Limited (stock code: 01063) and Sino Energy International Holdings Group Limited (formerly known as Active Group Holdings Limited) (stock code: 01096). All the aforesaid companies are listed on the Main Board of the Stock Exchange.

Mr. Tse Yuen Ming, *aged 49*

Mr. Tse Yuen Ming ("Mr. Tse") is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is currently a member of the Lions Club of H.K. (Mainland), Chairman of Professional Services Committee of the Hong Kong Chamber of Small & Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Limited, Life Underwriters & Sales Executive Board, Hong Kong Exhibitors Association, ECO-Foundation Organisation and Children's Thalassaemia Foundation. Mr. Tse is currently an independent non-executive director of Daido Group Limited (stock code: 00544) which is listed on the Main Board of the Stock Exchange and Celebrate International Holdings Limited (stock code: 08212) which is listed on GEM Board of the Stock Exchange.

Ms. Liu Jianyi, *aged 30*

Ms. Liu Jianyi ("Ms. Liu") holds a master of business administration in Samuel Curtis Johnson Graduate School of Management in Cornell University in 2014 and a bachelor of system engineering in The Chinese University of Hong Kong in 2010. Ms. Liu is currently working as vice president of a corporate financial services institution and has extensive management experience in corporate finance and private equity funds. Apart from her directorship with the Group, Ms. Liu currently does not hold any directorship in any other listed company in last three years.

Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's consolidated loss for the year ended 30 June 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 42.

The Directors do not recommend the payment of a final dividend in respect of the year ended 30 June 2016.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results of the Group for each of the five years ended 30 June 2016 and of the assets and liabilities of the Group as at 30 June 2016, 2015, 2014, 2013 and 2012 respectively is set out on page 4 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Management Discussion and Analysis" set out on pages 5 to 7 of this annual report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including market risk, credit risk, and liquidity risk. The risks and uncertainties of the Group are shown in note 4 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

For the year ended 30 June 2016, the Group was not subject to any environmental penalty.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or material non-compliance with the applicable laws and regulations by the Group except the non-compliance shown in the corporate governance report of this annual report.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders except the litigations shown in note 36 to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the bye-laws of the Company ("Bye-laws"), the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 30 June 2016 are set out in the consolidated statement of changes in equity on page 40 of this annual report and in note 31 to the consolidated financial statements, respectively.

The Company had no distributable reserve as at 30 June 2016 (2015: Nil).

DONATIONS

No charitable donations was made by the Group during the year ended 30 June 2016 (2015: Nil).

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and cost of sales from the five largest suppliers accounted for approximately 27.55% and 97.39% of the total sales and cost of sales for the year ended 30 June 2016, respectively.

The Group's largest customer and supplier accounted for approximately 11.67% and 71.98% of the total sales and cost of sales for the year ended 30 June 2016, respectively.

At no time during the year, none of the Directors, their associates or shareholders of the Company (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 2016, which do not constitute connected transactions under the GEM Listing Rules, are disclosed in note 37 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Ha Chuen Yeung *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Dr. Chan Yiu Wing *(re-designated from independent non-executive Director on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*

Independent non-executive Directors:

Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Tse Yuen Ming
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*

DIRECTORS (continued)

In accordance with Bye-law 87(1) of the Bye-laws, at each AGM, one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation. Accordingly, Mr. Tse Yuen Ming and Mr. Lee Ho Yiu, Thomas shall retire at the AGM and being eligible, offer themselves for re-election.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation for their independence pursuant to the GEM Listing Rules and the Company considers all of them are independent as at the date of this annual report.

The Directors' biographical details are set out on pages 8 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ha Chuen Yeung who is executive Director, entered into the services contract with the Company for a term of two years commencing from 24 March 2016 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 2016, none of these service contracts have been terminated by either party.

Mr. Lau King Hang who is executive Director, entered into the services contract with the Company for a term of two years commencing from 24 March 2016 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 2016, none of these service contracts have been terminated by either party.

Dr. Chan Yiu Wing who is executive Director, entered into the services contract with the Company for a term of two years commencing from 24 March 2016 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 2016, none of these service contracts have been terminated by either party.

No service contract has been entered into between the Company and the independent non-executive Directors but all of them are appointed for a term of three years. However, the Board has approved the statutory compensation of the independent non-executive Directors on their appointment date and payable on or before 30 June 2016.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

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 consolidated financial statements.

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, 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 Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company's share option scheme which was adopted on 5 July 2002 ("Old Scheme") was expired and a new share option scheme ("New Scheme", together with Old Scheme, the "Share Option Schemes") was adopted by an ordinary resolution passed by the shareholders at the AGM held on 23 November 2012 ("Adoption Date"). The New Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date. Apart from the Share Option Schemes, the Company has no other share option scheme as at 30 June 2016.

Upon the expiry of the Old Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

The purpose of the Share Option Schemes are to enable the Company to grant options to the Participants (as defined below) as incentives and rewards for their contribution to the Company or its subsidiaries.

SHARE OPTION SCHEME (continued)

Participants under the Share Option Schemes include any employee or consultant, advisor, agent, contractor, client or supplier of the Company or any of its subsidiaries who is in the sole opinion of the Board has contributed or is expected to contribute to the Group. The principal terms of the share option schemes are summarized as follow:

The subscription price shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(i) the nominal value of the shares;

(ii) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; and

(iii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant. An option must be exercised within 10 years from the date on which it is granted or such shorter period as the Board may specify at the time of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Schemes and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Schemes. The Company may seek approval by the shareholders at general meeting to refresh the 10% limit (the "Option Scheme Limit"). However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Schemes in these circumstances must not exceed 10% of the number of the issued share of the Company as at the date of approval of the refreshment of the Option Scheme Limit.

The Option Scheme Limit has been refreshed on 30 December 2014 at the general meeting. Based on 796,246,784 shares of the Company in issue as at 30 December 2014, the maximum number of shares of the Company which may be issued upon the exercise of all the options granted or to be granted under the Share Option Schemes or any other share option schemes of the Company must not, in aggregate, exceed 79,624,678 Shares, being 10% of the shares in issue as at 30 December 2014. The Company has not granted any options under the New Scheme since its adoption. The total number of Shares available for issue under the New Scheme is 79,624,678 Shares, representing 10% of the total number of Shares in issue as at the date of this report. Up to 30 June 2016, there were 104,270 share options granted and there were 66,142 shares options under the Old Scheme exercised and 166 share options has been lapsed. As at 30 June 2016, the total number of Shares in respect of which options were granted under the Old Scheme remain outstanding is 37,962 Shares, representing 0.005% of the total number of Shares in issue.

The maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Schemes and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

SHARE OPTION SCHEME (continued)

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to:

(i) each eligible Participant must not exceed 1.0% of the total number of shares of the Company in issue; and

(ii) a substantial shareholder of the Company or an independent non-executive director must not exceed 0.1% of the total number of shares of the Company in issue and not exceed HK$5.0 million in aggregate value.

Particulars of the movement of the outstanding options in aggregate granted under the Old Scheme during the year ended 30 June 2016, were as follows:

		Number of share options						
	Date of grant	Outstanding as at 1 July 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2016	Option period	Exercise price per share
Former directors, senior management, other employees and consultants	20 September 2005	160	–	–	(160)	0	20 September 2005 to 19 September 2015	HK$707.09
	23 August 2007	11,252	–	–	–	11,252	23 August 2007 to 22 August 2017	HK$3,907.76
	9 September 2008	4,975	–	–	–	4,975	9 September 2008 to 8 September 2018	HK$1,079.39
	11 September 2008	3,546	–	–	–	3,546	11 September 2008 to 10 September 2018	HK$1,209.46
	16 December 2008	3,546	–	–	–	3,546	16 December 2008 to 15 December 2018	HK$472.70
	17 February 2009	1,932	–	–	–	1,932	17 February 2009 to 16 February 2019	HK$614.18
	29 May 2009	1,932	–	–	–	1,932	29 May 2009 to 28 May 2019	HK$545.72
	31 December 2009	1,104	–	–	–	1,104	31 December 2009 to 30 December 2019	HK$279.06
	15 January 2010	9,675	–	–	–	9,675	15 January 2010 to 14 January 2020	HK$452.81
Total		38,122	–	–	(160)	37,962		

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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:

Long Positions in Shares and Underlying Shares of the Company

Name of shareholders	Capacity	Number of Shares interested	Total number of Shares interested	Approximately percentage of shareholding
China Trillion Capital International Limited	Beneficial owner	70,694,287	70,964,287	8.88%
Uni-Asia Limited	Interested of controlled corporation (Note 1)	70,694,287	70,694,287	8.88%
ASPTC (PTC) Limited	Trustee (Note 2)	70,694,287	70,694,287	8.88%
Al-Saleh Fawzi M	Beneficiary of a trust (Note 3)	70,694,287	70,694,287	8.88%

Notes:

1. China Trillion Capital International Limited is beneficially owned as to 100% by Uni-Asia Limited. Therefore Uni-Asia Limited is deemed to be interested in the shares of China Trillion Capital International Limited.

2. Uni-Asia Limited is beneficially owned as to 100% by ASPTC (PTC) Limited, which in turn holds the entire share capital of Uni-Asia Limited on trust for Al-Saleh Fawzi M.

3. ASPTC (PTC) 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 ASPTC (PTC) Limited.

Save as disclosed above, as at 30 June 2016, 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 2016 are set out in note 18 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" and "Material Related Party Transactions" of this annual report, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Schemes" and "Directors' or chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its Associated Corporations" above, at no time during the year ended 30 June 2016 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING INTERESTS

During the year and up to the date of this annual report, 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 either directly or indirectly with the business of the Group, or have any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

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 20 to 33 of this annual report.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total of 46 employees (2015: 44). Staff costs, excluding Directors' remuneration, decreased by approximately 21.51% to approximately HK$5,748,000 (2015: approximately HK$7,323,000). 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.

The Company adopted the Share Option Schemes 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 ended 30 June 2016.

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.

MATERIAL EVENTS AFTER THE REPORTING DATE

Details of events after the reporting period of the Group are set out in note 38 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

HLB Hodgson Impey Cheng Limited was the auditor of the Company for the year ended 30 June 2015 and retired as the auditor of the Company at the AGM held on 24 March 2016. Subsequent to the year ended 30 June 2016, Elite Partners CPA Limited ("Elite Partners") was appointed as auditor of the Company on 8 August 2016 and the consolidated financial statements for the year ended 30 June 2016 was audited by Elite Partners.

A resolution for the re-appointment of Elite Partners as the auditor of the Company will be proposed at the forthcoming AGM.

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
Ha Chuen Yeung
Executive Director

Hong Kong, 31 August 2016

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

Throughout the year ended 30 June 2016, the Company has complied with most of the Code Provisions of the CG Code, except for the following deviations.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

CODE PROVISION A.2.1

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

During the year ended 30 June 2016, the Company has not appointed Chairman since 23 January 2015, and the roles and functions of the Chairman have been performed by all the executive Directors collectively.

During the year ended 30 June 2016, the Company has not appointed CEO since 9 April 2015, and the roles and functions of the CEO have been performed by all the executive Directors collectively.

CODE PROVISION A.6.7 AND E.1.2

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. During the year ended 30 June 2016, the annual general meeting of the Company (the "AGM") held on 24 March 2016, Mr. Tse Yuen Ming did not attend the said AGM to answer questions of the shareholders of the Company due to other prior business engagements or other overseas commitments. However, Mr. Tse has appointed the other attended Directors as his representative at the said AGM to answer questions of the shareholders of the Company.

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE GEM LISTING RULES

On 30 September 2015, the Board announced that the Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the annual results for the financial year ended 30 June 2015 (the "2015 Annual Results"); and (ii) publishing the related annual report for the year ended 30 June 2015 (the "2015 Annual Report"). As such delay has constituted non-compliance with Rules 18.03 and 18.49 of the GEM Listing Rules.

On 13 November 2015, the Board further announced that as a result of the delay in the publication of the announcement of the 2015 Annual Results and despatch of the 2015 Annual Report, the Company was also not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the first quarterly results for the three months ended 30 September 2015 (the "2016 First Quarterly Results") and despatch of the first quarterly report; and (ii) publishing the related first quarterly report for the three months ended 30 September 2015 (the "2016 First Quarterly Report"). As such delay has constituted non-compliance with Rules 18.66, 18.67 and 18.79 of the GEM Listing Rules.

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 2016, the Directors have confirmed, following specific inquiry by the Company, that they have complied with the required standard and code of conduct set out in the Securities Code.

BOARD OF DIRECTORS

As at 30 June 2016, the Board comprised six Directors including three executive Directors and three independent non-executive Directors. At least one of the independent non-executive Director possess appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the GEM Listing Rules.

The Board members during the year ended 30 June 2016 and up to the date of this annual report are:

Executive Directors:
Mr. Ha Chuen Yeung *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Dr. Chan Yiu Wing *(re-designated from independent non-executive Director on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*

Independent non-executive Directors:
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Tse Yuen Ming
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*

BOARD OF DIRECTORS (continued)

Biographical details of each Director is set out in the section headed “Directors’ Profile” on pages 8 to 9 of this annual report.

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

The overall management of the Company’s business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs and overseeing the achievement of strategic plans to enhance shareholders’ value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall 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 transactions, including acquisition, investment, disposal of assets or 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. The Board updates Shareholders on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Decisions regarding the daily operation and administration of the Company are delegated to the management.

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.

BOARD OF DIRECTORS (continued)

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.

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 of the Company on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The independent non-executive Directors, advise the Company on strategic and critical matters. The Board considers that each independent non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board.

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 2016, the Board held 15 full board meetings including four regular meetings and the attendance of each Director is set out as follows:

Directors	**Number of attendance**
Executive Directors	
Mr. Ha Chuen Yeung *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	15/15
Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	15/15
Dr. Chan Yiu Wing *(re-designated from independent non-executive Director on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*	15/15
Independent non-executive Directors	
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	14/15
Mr. Tse Yuen Ming	14/15
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	15/15

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company considers that each of its independent non-executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company, based on such confirmations, considers all of the independent non-executive Directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 30 June 2016, the Company has not appointed Chairman since 23 January 2015, and the roles and functions of the Chairman have been performed by all the executive Directors collectively.

During the year ended 30 June 2016, the Company has not appointed CEO since 9 April 2015, and the roles and functions of the CEO have been performed by all the executive Directors collectively.

The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the posts of the Chairman and the CEO as appropriate and will make further announcement in due course.

APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the executive Directors, namely Mr. Ha Chuen Yeung, Mr. Lau King Hang and Dr. Chan Yiu Wing has entered into a service contract with the Company for an initial fixed term of two years commenced on 24 March 2016 and shall continue thereafter until terminated by either party giving to the other not less than three month notice in writing but subject to retirement by rotation and re-election at the annual general meeting (the “AGM”) pursuant to the Bye-laws of the Company.

Each of the independent non-executive Directors was appointed for a specific term of three years and subject to retirement by rotation and re-election at the AGM pursuant to the Bye-laws of the Company. In the case of Mr. Lee Ho Yiu, Thomas and Ms. Liu Jianyi, their appointment term commenced on 24 March 2016; and in the case of Mr. Tse Yuen Ming, his appointment term commenced on 13 November 2014.

APPOINTMENT, RE-ELECTION AND REMOVAL (continued)

In accordance with the Bye-laws of the Company, at each AGM one-third of the Directors for the time being shall retire from office by rotation. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Directors' Induction and Continuous Professional Development

All Directors, including independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements.

The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 30 June 2016, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manners:

Directors	Attended Seminars or Briefing/ Read Materials
Executive Directors	
Mr. Ha Chuen Yeung	✓
Mr. Lau King Hang	✓
Dr. Chan Yiu Wing	✓
Independent non-executive Directors	
Mr. Lee Ho Yiu, Thomas	✓
Mr. Tse Yuen Ming	✓
Ms. Liu Jianyi	✓

BOARD COMMITTEES

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 of the Company ("AC") comprises all independent non-executive Directors and is chaired by an independent non-executive Director, Mr. Lee Ho Yiu, Thomas who is an accountant with related financial management expertise. During the year, Dr. Chan Yiu Wing has resigned as the member of the AC with effect from 1 March 2016 and the members of the AC are as follows:

Independent non-executive Directors:

Mr. Lee Ho Yiu, Thomas *(Chairman) (retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Tse Yuen Ming
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Dr. Chan Yiu Wing *(resigned on 1 March 2016)*

Details of the attendance of the members of the AC at AC meetings are as follows during the year under review:

Name of members	Number of attendance
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	4/5
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	5/5
Mr. Tse Yuen Ming	5/5
Dr. Chan Yiu Wing *(resigned on 1 March 2016)*	3/5

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)

During the year ended 30 June 2016, five meetings were held by the AC to review the effectiveness of the internal control system of the Company, to discuss the accounting policies and practices which may affect the Group with the management and the Company's auditors, to make recommendation on the re-appointment of external auditors for the approval of the shareholders in the AGM and to review the fees charged by the external auditors. The unaudited quarterly and interim together with the audited annual results of the Company in respect of the year ended 30 June 2016 have also been reviewed by the AC.

NOMINATION COMMITTEE

The nomination committee of the Company ("NC") was set up on 18 January 2012 with written terms of reference to review the structure, size and composition (including but not limited to the gender, 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 an independent non-executive Director, Ms. Liu Jianyi. The NC comprises a majority of independent non-executive Directors. During the year, the members of the NC are as follows:

Independent non-executive Directors:

Ms. Liu Jianyi *(Chairman) (retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Tse Yuen Ming

Executive Directors:

Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Dr. Chan Yiu Wing *(re-designated from independent non-executive Director on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*

Details of the attendance of the members of the NC at NC meetings are as follows during the year under review:

Name of members	Number of attendance
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Dr. Chan Yiu Wing *(re-designated from independent non-executive Director on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Mr. Tse Yuen Ming	1/1

NOMINATION COMMITTEE (continued)

The roles and principal functions of the NC include to identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, make recommendations to the Board on the appointment or re-appointment of Directors, and succession planning for Directors.

Where vacancies on the Board exist, the NC will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Board Diversity Policy, the Company's needs and other relevant statutory requirements and regulations.

During the year ended 30 June 2016, the NC held one meeting and they have reviewed the structure, size and composition of the Board, the retirement and re-election of the Directors at the AGM and considered the changes of Directors. During the year ended 30 June 2016, all of the newly appointed Directors were appointed by going through the selection process stated as above.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The NC will review the Policy from time to time to ensure its continued effectiveness. During the year, the NC has reviewed the Policy.

REMUNERATION COMMITTEE

The remuneration committee of the Company ("RC") reviews and approves the remunerations of Directors. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion. The RC was set up in July 2008 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC is formed by a majority of independent non-executive Directors and chaired by an independent non-executive Director, Ms. Liu Jianyi. During the year, Dr. Chan Yiu Wing has resigned as the chairman and member of the RC with effect from 1 March 2016 and Ms. Liu Jianyi has been appointed as the chairman of RC with effect from 1 March 2016 and the members of the RC are as follows:

Independent non-executive Directors:

Ms. Liu Jianyi *(Chairman) (appointed as chairman on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*

Executive Directors:

Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*
Dr. Chan Yiu Wing *(resigned on 1 March 2016)*

Details of the attendance of the members of the RC at RC meetings are as follows during the year under review:

Name of members	Number of attendance
Ms. Liu Jianyi *(appointed as chairman on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	1/1
Dr. Chan Yiu Wing *(resigned on 1 March 2016)*	1/1

The roles of the RC are to recommend to the Board the policy and structure for the remuneration of the executive Directors and senior management and to determine, with delegated responsibility, their specific remuneration packages, assessing and approving performance-based remuneration of executive Directors with reference to the corporate goals and objectives, and to make recommendations to the Board on the remuneration of non-executive Directors. They are provided with sufficient resources by the Company to discharge its duties. No individual Director is involved in deciding his or her own remuneration.

During the year ended 30 June 2016, one meeting was held by the RC to discuss and review the remuneration policies of the Company, to review and made recommendations with respect to the remuneration of Board members for approval by the Board and to made recommendations with respect to the remuneration of the newly appointed Directors during the year for approval by the Board. The RC has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

REMUNERATION COMMITTEE (continued)

Remuneration Policy for Directors and Senior Management

The remuneration packages of individual executive Directors and senior management, comprising a basic salary and a performance related bonus for their contributions, were determined, with delegated responsibility in according to the Code Provision B.1.2(c)(i). Details of Directors' remuneration are set out in note 11 to the consolidated financial statements in this annual report.

The Company has adopted a share option scheme since 2012. The purpose of the said share option 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.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board and is in compliance with the Code Provision D.3.1 of the CG Code. During the year ended 30 June 2016, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

AUDITORS' REMUNERATION

During the year ended 30 June 2016, the fees paid to the auditors in respect of audit and non-audit services provided by the auditor of the Group were as follows:

	2016	2015
	HK$'000	HK$'000
Audit services	**800**	1,000
Non-audit services	**–**	400

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

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.

ACCOUNTABILITY AND AUDIT (continued)

Directors' Responsibility for the Financial Statements (continued)

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.

Auditor's Responsibility for the Financial Statements

The statement of external auditor of the Company, Elite Partners CPA Limited about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

GENERAL MEETING

During the year under review, an AGM was held on 24 March 2016. Details of the Directors' attendance of the AGM are set out below:

Directors	**Attendance of the AGM held on 24 March 2016**
Executive Directors:	
Mr. Ha Chuen Yeung *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	✓
Mr. Lau King Hang *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	✓
Dr. Chan Yiu Wing *(re-designated from independent non-executive Director on 1 March 2016, retired on 24 March 2016 and re-appointed on 24 March 2016)*	✓
Independent non-executive Directors:	
Mr. Lee Ho Yiu, Thomas *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	✓
Mr. Tse Yuen Ming	X
Ms. Liu Jianyi *(retired on 24 March 2016 and re-appointed on 24 March 2016)*	✓

During the year ended 30 June 2016, the AGM held on 24 March 2016, Mr. Tse Yuen Ming did not attend the said AGM to answer questions of the shareholders of the Company due to other prior business engagements or other overseas commitments. However, Mr. Tse has appointed the other attended Directors as his representative at the said AGM to answer questions of the shareholders of the Company.

INTERNAL CONTROL

The Board is committed to implement an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets.

To further monitor and assess the effectiveness of the internal control system, the Company has appointed Elite Partners Risk Advisory Services Limited ("Elite Partners") as the internal control advisor of the Group to perform quarterly review on the risk management function and the audit on the internal control system. Elite Partners have sent out the significant findings in their internal audit report as follow:

(i) the annual results of the Company has not been published for the year ended 30 June 2015 with the time requirements of the Rule Governing the Listing of Securities on the Growth Enterprise Market.

(ii) Lack of communication with stakeholder and address each stakeholder's need. Therefore, all of resolution proposed by the management in the Annual general meeting has been vote against.

In accordance with the internal audit report, the Company has performed follow up action with above significant findings and those follow up are as below:

(i) the results announcement has been published on 28 January 2016.

(ii) the Group has established a questionnaire to major shareholder and those shareholders complete the question. Therefore, the Group has identified the needs of significant stakeholder via the questionnaire and maintained proper communication with the major stakeholders.

After reviewing the follow up action performed by the Group, Elite Partners consider that the Group has maintained an effective and efficiency internal control system.

COMPANY SECRETARY

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

During the year, on 1 July 2015, Mr. Chiang Chi Kin ("Mr. Chiang") has resigned as the Company Secretary and Mr. Cheng Wai Hei ("Mr. Cheng") has been appointed as the Company Secretary. On 6 November 2015, Mr. Cheng has resigned as the Company Secretary and Ms. Leung Pui Ki ("Ms. Leung") has been appointed as the Company Secretary. Ms. Leung has confirmed that she took not less than 15 hours of relevant professional training during the year under review.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a Special General Meeting

Pursuant to the Companies Act 1981 of Bermuda and the bye-law 58 of the Bye-laws of the Company, a SGM can be convened by a written request signed by shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, stating the objects of the meeting, and deposited at the Company's head office at Suite B, 6/F., One Capital Place, 18 Luard Road, Wan Chai, Hong Kong.

SHAREHOLDERS' RIGHTS (continued)

Procedures for putting forward Proposals at a General Meeting

The procedures for shareholders to put forward proposals at an AGM or SGM include a written notice of those proposals being submitted by shareholders, addressed to the Company Secretary at the Company's head office at Suite B, 6/F., One Capital Place, 18 Luard Road, Wan Chai, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution, or whether the proposal relates to the election of a person other than a Director of the Company as a director. The procedures for shareholders to convene and put forward proposals at an AGM or SGM (including election of a person other than a Director of the Company as a director) are available on the Company's website or on request to the Company Secretary.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's head office at Suite B, 6/F., One Capital Place, 18 Luard Road, Wan Chai, Hong Kong or send email to info@it-holdings.com.hk.

Shareholders may also make enquiries with the Board at the AGM or SGM.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company uses a number of formal communications channels to account to shareholders and investors for the performance of the Company. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) key information of the Group available on the website of the Company; (iv) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters; and (v) corporate information and the Bye-laws of the Company are made available on the Company's website.

A Shareholder's Communication Policy was adopted by the Board aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office at Suite B, 6/F., One Capital Place, 18 Luard Road, Wan Chai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year under review, there has no change in the Company's constitutional documents.

Independent Auditors' Report

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor
8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

TO THE SHAREHOLDERS OF INNO-TECH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements Inno-Tech Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 114, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 ("HKICPA") and the disclosure requirements of the Hong Kong Company 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.

AUDITOR'S 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.

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

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

BASIS FOR QUALIFIED OPINION

Scope limitation-Opening balances, corresponding figures and comparative financial statements

The corresponding figures and comparative financial statements in the current year's financial statements were derived from the financial statements for the year ended 30 June 2015 which contained a disclaimer of audit opinion, details of the qualifications were set out in the auditor's report dated 28 January 2016. We have not been able to obtain sufficient appropriate audit evidence as to whether (i) the opening balances for the year ended 30 June 2016 were free from material misstatement; and (ii) the corresponding figures and comparative financial statements were properly recorded and accounted for, in compliance with the requirements of applicable Hong Kong Financial Reporting Standards.

There were no alternative audit procedures to satisfy ourselves as to whether the opening balances, corresponding figures and comparative financial statements were free from material misstatement. Any adjustments that might have been found to be necessary would have had a consequential impact on the net liabilities of the Group as at 30 June 2016, results of the Group for the year ended 30 June 2016 and the related disclosures thereof in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to note 3(b)(i) to the consolidated financial statements which indicates that the Group has net current liabilities of approximately HK$125,236,000 as at 30 June 2016. These conditions, along with other matters as set out in note 3(b)(i) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group' s ability to continue as a going concern.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 31 August 2016

Yip Kai Yin
Practising Certificate Number: P05131

Consolidated Statement of Profit or Loss

For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	5	**42,208**	39,218
Cost of sales		**(41,163)**	(70,440)
Gross profit/(loss)		**1,045**	(31,222)
Other revenue	6	**189**	17,482
Other income	6	**33**	2
Marketing and promotion expenses		**(842)**	(1,795)
Administrative expenses		**(17,261)**	(29,610)
Finance costs	7	**(17,576)**	(29,980)
Changes in fair value of financial assets at fair value through profit or loss		**(27)**	28
Changes in fair value of derivative financial instruments		**–**	702,813
Gain arising from redemption of convertible notes		**–**	35,699
Gain arising from extension of promissory notes		**–**	13,432
Loss arising from extinguishment of convertible notes		**–**	(42,214)
Impairment loss on intangible assets	16	**–**	(171,899)
Impairment loss on goodwill	17	**–**	(3,527)
(Loss)/profit before income tax	8	**(34,439)**	459,209
Income tax	9	**130**	55,135
(Loss)/profit for the year from continuing operations		**(34,309)**	514,344
Discontinued operations			
(Loss)/profit for the year from discontinued operations	10	**–**	206,249
(Loss)/profit for the year		**(34,309)**	720,593
(Loss)/profit for the year attributable to:			
Owners of the Company		**(34,309)**	716,253
Non-controlling interests		**–**	4,340
		(34,309)	720,593
(Loss)/earnings per share attributable to the owners of the Company			
From continuing and discontinued operations			
– Basic and diluted (HK$ per share)	13	**(0.04)**	1.27
From continuing operations			
– Basic and diluted (HK$ per share)	13	**(0.04)**	0.91

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	**(34,309)**	720,593
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**1,044**	(434)
Reclassification adjustments relating to foreign operations disposed during the year	**–**	392
Other comprehensive income/(loss) for the year	**1,044**	(42)
Total comprehensive (loss)/income for the year	**(33,265)**	720,551
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(33,265)**	716,211
Non-controlling interests	**–**	4,340
	(33,265)	720,551

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

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	**2016** HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**589**	855
Intangible assets	16	**423**	945
Goodwill	17	**–**	–
		1,012	1,800
Current assets			
Financial assets at fair value through profit or loss	19	**43**	70
Account receivables	20	**3,510**	2,214
Prepayments, deposits and other receivables	21	**21,094**	23,405
Cash and cash equivalents	22	**5,438**	7,506
		30,085	33,195
Current liabilities			
Account payables, accrued expenses and other payables	23	**45,044**	30,225
Borrowings	25	**44,500**	42,000
Promissory notes	26	**50,000**	46,693
Tax payable	27	**15,777**	16,906
		155,321	135,824
Net current liabilities		**(125,236)**	(102,629)
Total assets less current liabilities		**(124,224)**	(100,829)

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Non-current liabilities			
Deferred taxation	28	**106**	236
Borrowings	25	**10,000**	–
		10,106	236
Net liabilities		**(134,330)**	(101,065)
Equity			
Share capital	29	**79,625**	79,625
Reserves	31	**(213,955)**	(180,690)
Equity attributable to the owners of the Company		**(134,330)**	(101,065)
Non-controlling interests		**–**	–
Total equity		**(134,330)**	(101,065)

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2016 and are signed on its behalf by:

Ha Chuen Yeung	**Lau King Hang**
Director	*Director*

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to the 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$'000	Other reserves HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1 July 2014	2,701	940,317	38,714	8,060	52,959	43	(841)	(743)	(2,045,024)	(1,003,814)	(10,558)	(1,014,372)
Profit for the year	–	–	–	–	–	–	–	–	716,253	716,253	4,340	720,593
Other comprehensive loss for the year:												
Items that may be reclassified subsequently to profit or loss:												
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(42)	–	–	(42)	–	(42)
Total comprehensive income for the year	–	–	–	–	–	–	(42)	–	716,253	716,211	4,340	720,551
Transfer to accumulated losses upon extinguishment of convertible notes	–	–	–	(8,060)	–	–	–	–	8,060	–	–	–
Issue of shares pursuant to the redemption of convertible notes	9,397	39,467	–	–	–	–	–	–	–	48,864	–	48,864
Issue of shares pursuant to the open offer	67,527	77,656	–	–	–	–	–	–	–	145,183	–	145,183
Open offer expenses	–	(7,509)	–	–	–	–	–	–	–	(7,509)	–	(7,509)
Release upon disposal of subsidiaries (note 36)	–	–	–	–	–	–	–	–	–	–	6,218	6,218
At 30 June 2015 and 1 July 2015	79,625	1,049,931	38,714	–	52,959	43	(883)	(743)	(1,320,711)	(101,065)	–	(101,065)
Loss for the year	–	–	–	–	–	–	–	–	(34,309)	(34,309)	–	(34,309)
Other comprehensive loss for the year:												
Items that may be reclassified subsequently to profit or loss:												
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	1,044	–	–	1,044	–	1,044
Total comprehensive income for the year	–	–	–	–	–	–	1,044	–	(34,309)	(33,265)	–	(33,265)
Lapse of share option	–	–	(86)	–	–	–	–	–	86	–	–	–
At 30 June 2016	**79,625**	**1,049,931**	**38,628**	**–**	**52,959**	**43**	**161**	**(743)**	**(1,354,934)**	**(134,330)**	**–**	**(134,330)**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
(Loss)/profit for the year			
– Continuing operations		**(34,309)**	514,344
– Discontinued operations		**–**	206,249
		(34,309)	720,593
Adjustments for:			
Income tax	9	**(130)**	(55,135)
Depreciation	15	**345**	421
Impairment loss on account receivables		**–**	117
Amortisation of intangible assets	16	**522**	32,945
Interest income		**(10)**	(9)
Dividend income	6	**(33)**	(2)
Impairment loss on intangible assets	16	**–**	171,899
Impairment loss on goodwill	17	**–**	3,527
Change in fair value of derivative financial instruments		**–**	(702,813)
Gain arising from redemption of convertible notes		**–**	(35,699)
Gain arising from extension of promissory notes		**–**	(13,432)
Loss arising from extinguishment of convertible notes		**–**	42,214
Change in fair value financial assets at fair value through profit or loss		**27**	(28)
Finance costs	7	**17,576**	29,980
Gain on disposal of a subsidiary		**–**	(222,979)
Operating cash flows before movements in working capital		**(16,012)**	(28,401)
(Increase)/decrease in account receivables		**(1,493)**	6,630
Decrease in prepayments, deposits and other receivables		**1,983**	6,311
Increase in prepaid advertising placement service costs		**–**	(5,108)
Increase/(decrease) in trade payables, accrued expenses and other payables		**2,905**	(19,456)
Cash used in operations		**(12,617)**	(40,024)
PRC tax paid		**–**	(658)
Net cash used in operating activities		**(12,617)**	(40,682)

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Interest received		**10**	9
Dividend received		**33**	2
Payment for purchase of property, plant and equipment		**(46)**	(109)
Net cash outflow from disposal of subsidiaries	32	**–**	(17,313)
Net cash used in investing activities		**(3)**	(17,411)
Cash flows from financing activities			
Proceeds from borrowings		**12,500**	65,000
Repayment of borrowings		**–**	(43,400)
Repayment of promissory notes		**–**	(108,000)
Net proceeds from issue of new shares pursuant to the open offer		**–**	137,674
Interest paid		**(1,300)**	(5,365)
Net cash generated from financing activities		**11,200**	45,909
Net decrease in cash and cash equivalents		**(1,420)**	(12,184)
Effect of foreign exchange rate changes		**(648)**	(313)
Cash and cash equivalents at the beginning of the year		**7,506**	20,003
Cash and cash equivalents at the end of the year		**5,438**	7,506
Analysis of balances of cash and cash equivalents:			
Being:			
Cash and cash equivalents	22	**5,438**	7,506

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 Suite B, 6/F., One Capital Place, 18 Luard Road, Wanchai, Hong Kong respectively.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are engaged in buses and bus stations advertising business in the People's Republic of China.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvement to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

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

Annual Improvement to HKFRSs 2010-2012 Cycle (continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel service to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments does not have a material effect on the Group's consolidated financial statements.

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

Annual Improvement to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of HKAS 40; and

b) the transaction meets the definition of business combination under HKFRS 3.

The application of these amendments does not have a material effect on the Group's consolidated financial statements.

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

Amendments to HKAS 19 (2011) Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 (2011) clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments to HKAS 19 (2011) does not have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidated exception[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

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

HKFRS 9 Financial Instruments (continued)

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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidate financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical 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 (THE "HKFRSs") (continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede Hong Kong Accounting Standard ("HKAS") 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company considered that it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact 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 HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(i) Going concern basis

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity not withstanding that:

- The Group had consolidated net current liabilities and net liabilities of approximately HK$125,236,000 and HK$134,330,000 as at 30 June 2016.

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:

On 12 August 2016, the Company has entered into the Shares Placing Agreement, the First Deed of Amendment, the Second Deed of Amendment and the CB Placing Agreement for providing additional working capital for business development of the Group and to strengthen its capital base.

(a) The Company entered into placing agreement with a placing agent for placing an aggregate of 159,249,356 shares to not less than six shares placees at a price of HK$0.1 per placing share. The Company will be raised net proceed of approximately HK$14.45 million. The net proceed from issue of placing shares are mainly to be used for general working capital.

(b) The Company and Profit Eagle Limited entered ("Profit Eagle") into the First Deed of Amendment, pursuant to which the Company agreed with Profit Eagle, to convert the outstanding promissory notes of HK$50 million into the HK$60.5 million of convertible bond ("CB") with maturity of 24 months of the issuance date and to issue 75 million free new shares ("Free Shares") to Profit Eagle as compensation for the default payment under the promissory notes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Going concern basis (continued)

(c) The Company and Kuo Yi Hui, an independent third party, entered into the Second Deed of Amendment, pursuant to which the Company agreed with Kuo Yi Hui, to convert the outstanding borrowing of HK$42 million into HK$50 million of convertible bond ("CB 2") with maturity of 18 months of the issuance date.

(d) The Company entered into a placing agreement with the placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees, or failing which itself as principal on a fully underwritten basis, to subscribe for HK$25 million of convertible bonds with maturity of 24 months of the issuance date by one or more tranches of not less than HK$0.5 million. The Company will be raised net proceed of approximately HK$23.25 million. The net proceed from issue of convertible bonds 3 are mainly to be used for general working capital.

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other 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(g), (v) or (w) 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(k)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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 share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 and other comprehensive income. 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.

(g) 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.

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(k)).

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(k)).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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(t)(iii) 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 3u. When these investments are derecognised or impaired (see note 3(k)), 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.

(h) 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(k)).

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

(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.

(i) 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(k)).

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.

(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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (continued)

(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.

(j) 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.

(k) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

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.

  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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(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).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

(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.

(l) Account and other receivables

Account 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.

(m) 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits (continued)

(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).

(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.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

(iii) (continued)

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

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

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

– the same taxable entity; or

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

(p) Account and other payables

Account 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.

(q) 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(q)(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(q)(iii).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions and contingent liabilities (continued)

(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.

(r) 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.

(s) 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.

(t) 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) Advertising service

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition (continued)

(ii) Interest income

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

(iii) Dividend income

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

(u) 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.

(v) Promissory notes

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

(w) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

(x) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Foreign currencies (continued)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

(z) 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 account receivables

The Group's management determines the provision for impairment loss of account receivables 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) Impairment of intangible assets and property, plant and equipment

In considering the impairment losses that may be required for the Group's 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.

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

Key sources of estimation uncertainty (continued)

(iii) 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.

(iv) 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. REVENUE

Revenue represents income from the advertising operations in the People’s Republic of China (“PRC”). Revenue recognised during the year is as follow:

	2016	2015
	HK$’000	HK$’000
Continuing operations:		
Outdoor advertising on buses and bus stations	**42,208**	39,218

6. OTHER REVENUE AND OTHER INCOME

	2016 HK$'000	2015 HK$'000
Continuing operations:		
Other revenue		
Bank interest income	**10**	9
Compensation received	**–**	5,325
Sundry income (Note)	**179**	12,148
	189	17,482
Continuing operations:		
Other income		
Dividend income	**33**	2

Note:

During the year ended 30 June 2015, HK$11,040,000 included in the sundry income was related to the repayment received from a former director, Mr. Ang Wing Fung, in respect of expenses incurred by the Group in previous years.

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations:		
Interest on other borrowings wholly repayable within five years	**14,269**	5,365
Imputed interest on promissory notes	**3,307**	9,212
Imputed interest on convertible notes	**–**	15,403
	17,576	29,980

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

		2016 HK$'000	2015 HK$'000
(a)	**Staff cost (including directors' emolument):**		
	Continuing operations:		
	Contributions to defined contribution plan	**156**	718
	Salaries, wages and other benefits	**7,218**	8,252
		7,374	8,970
	Number of employees	**46**	44
(b)	**Other items**		
	Continuing operations:		
	Amortisation of intangible assets	**522**	32,945
	Auditors' remuneration	**800**	1,000
	Depreciation on property, plant and equipment	**345**	421
	Operating lease charges in respect of office premises	**572**	766
	Exchange gain, net	–	(589)
	Impairment loss on intangible assets	–	171,899
	Impairment loss on goodwill	–	3,527
	Changes in fair value of financial assets at fair value through profit or loss	**27**	(28)
	Changes in fair value of derivative financial instruments	–	(702,813)
	Gain arising from redemption of convertible notes	–	(35,699)
	Gain arising from extension of promissory notes	–	(13,432)
	Loss arising from extinguishment of convertible notes	–	42,214

The cost of sales includes the amortisation of intangible assets of approximately HK$522,000 (2015: HK$32,945,000).

9. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

(i) Income tax in the consolidated statement of profit or loss represents:

	The Group	
	2016	2015
	HK$'000	HK$'000
Current tax		
PRC Enterprise income tax	**–**	–
Under provision in prior years		
PRC Enterprise income tax	**–**	220
Deferred tax		
Current year	**(130)**	(55,355)
Tax credit for the year	**(130)**	(55,135)

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 (2015: HK$Nil).

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25%. No provision for PRC enterprise income tax has been made as the Group did not generate any assessable profits arising in the PRC during the year (2015: HK$220,000).

9. INCOME TAX (RELATING TO CONTINUING OPERATIONS) (continued)

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

	2016		2015	
	HK$'000	%	HK$'000	%
(Loss)/profit before income tax (from continuing operations)	(34,439)		459,209	
Notional tax on (loss)/profit before income tax, calculated at rates applicable to profits in the countries concerned	(5,680)	16.5	75,883	16.5
Tax effect of expenses not deductible for tax purpose	16,263	(47.2)	56,521	12.3
Tax effect of income not taxable for tax purpose	(10,713)	31.1	(187,759)	(40.9)
Under provision in prior years	–	–	220	–
Income tax credit and effective tax rate for the year	(130)	0.4	(55,135)	(12.1)

10. DISCONTINUED OPERATIONS

On 1 September 2014, the Company and the purchaser entered into the new sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the new purchaser conditionally agreed to purchase Redgate Group at consideration of HK$600,000. The disposal of the outdoor advertising on billboards and outdoor display spaces operation is consistent with the Group's long-term policy to focus its activities on the outdoor advertising on buses and bus stations and television advertisements. The disposal of Redgate Group was completed on 17 November 2014.

The profit/(loss) for the year from discontinued operations is set out below.

	2015
	HK$'000
Loss for the year from discontinued operations	(16,730)
Gain on disposal of Redgate Group during the year	222,979
	206,249

10. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations included in the profit/(loss) for the year are set out below.

	2015 HK$'000
Revenue	22,360
Cost of sales	(11,180)
Gross profit	11,180
Other revenue	1,106
Marketing and promotion expenses	(201)
Administrative expenses	(28,780)
Loss before income tax	(16,695)
Income tax	(35)
Loss for the year from discontinued operations	(16,730)
Loss for the year from discontinued operations attributable to:	
Owners of the Company	(21,070)
Non-controlling interests	4,340
	(16,730)
Loss for the year from discontinued operations include the followings:	
Depreciation on property, plant and equipment	15
Operating lease charges in respect of office premises	440
Staff costs	2,053
Exchange loss, net	1,898
Cash flows from discontinued operations:	
Net cash outflow from operating activities	(386)

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

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

	2016 HK$'000	2015 HK$'000
Fees	360	370
Basic salaries, allowances and other benefits	1,228	1,153
Retirement scheme contributions	38	35
	1,626	1,558
Number of directors	6	11

The emoluments of directors for the year ended 30 June 2016 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. Ha Chuen Yeung (note (a))	–	276	–	14	290
Mr. Lau King Hang (note (a))	–	720	–	18	738
Mr. Chan Yiu Wing (note (h))	–	232	–	6	238
Independent non-executive directors					
Mr. Lee Ho Yiu, Thomas (note (a))	120	–	–	–	120
Mr. Tse Yuen Ming (note (e))	120	–	–	–	120
Ms. Liu Jianyi (note (a))	120	–	–	–	120
	360	1,228	–	38	1,626

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

Directors' emoluments (continued)

The emoluments of directors for the year ended 30 June 2015 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. Ha Chuen Yeung (note (a))	–	163	–	8	171
Mr. Lau King Hang (note (a))	–	211	–	6	217
Mr. Ang Wing Fung (note (b))	–	618	–	14	632
Mr. Chen Chuan (note (c))	–	–	–	–	–
Mr. Shih Yau Ting, Jackson (note (d))	–	161	–	7	168
Independent non-executive directors					
Mr. Lee Ho Yiu, Thomas	120	–	–	–	120
Mr. Tse Yuen Ming (note (e))	76	–	–	–	76
Mr. Chan Yiu Wing (note (h))	35	–	–	–	35
Ms. Liu Jianyi (note (a))	35	–	–	–	35
Ms. Lu Di (note (f))	60	–	–	–	60
Mrs. Kwan Leung Anna (note (g))	44	–	–	–	44
	370	1,153	–	35	1,558

Notes:

(a) Mr. Ha Chuen Yeung, Mr. Lau King Hang, Mr. Lee Ho Yiu, Thomas, and Ms. Liu Jianyi were re-appointed on 24 March 2016.

(b) Mr. Ang Wing Fung was resigned on 9 April 2015.

(c) Mr. Chen Chuan was resigned on 23 January 2015.

(d) Mr. Shih Yau Ting, Jackson was resigned on 14 January 2015.

(e) Mr. Tse Yuen Ming was appointed on 13 November 2014.

(f) Ms. Lu Di was resigned on 15 January 2015.

(g) Mrs. Kwan Leung Anna was resigned on 13 November 2014.

(h) Mr. Chan Yiu Wing was appointed as executive director from independent non-executive director on 1 March 2016 and was re-appointed on 24 March 2016.

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 30.

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

Directors' emoluments (continued)

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 (2015: HK$nil). There was no arrangement under which a director waived or agreed to waive any emoluments.

Senior management of the Group represents the executive directors during the years ended 30 June 2016 and 2015.

Individuals with highest emoluments

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

	2016 **HK$'000**	2015 HK$'000
Basic salaries, allowances and other benefits	**1,916**	3,178
Retirement scheme contributions	**84**	168
	2,000	3,346

During the years ended 30 June 2016 and 2015, 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 one director (2015: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals (2015: four) during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Basic salaries, allowances and other benefits	**1,196**	2,575
Retirement scheme contributions	**66**	132
	1,262	2,707

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

Individuals with highest emoluments (continued)

The emoluments of the five individual (2015: five) with the highest emolument fall within the range from HK$nil to HK$1,000,000.

12. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The (loss)/profit attributable to the owners of the Company includes a loss of HK$28,585,000 (2015: profit of HK$671,197,000) which was arrived at before impairment for the interests in subsidiaries has been dealt with in the financial statements of the Company.

13. (LOSS)/EARNINGS PER SHARE

For continuing and discontinued operations

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

	2016 **HK$'000**	2015 HK$'000
(Loss)/profit		
(Loss)/profit for the year attributable to the owners of the Company	**(34,309)**	716,253

	2016 **'000**	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**796,246**	565,368

13. (LOSS)/EARNINGS PER SHARE (continued)

For the year ended 30 June 2015

From continuing operations

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

(Loss)/earnings figures are calculated as follows:

	2016	2015
	HK$'000	HK$'000
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share from continuing operations	**(34,309)**	514,344

	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share (note)	**796,246**	565,368

Note:

The denominator used are the same as those detail above for both basis and diluted earning per share.

From discontinued operations

The Group does not have discontinued operation in 2016, and therefore no earning per share for discontinued operation for the year ended 30 June 2016 is presented.

Basis and diluted earning per share for the discontinued operation for the year ended 30 June 2015 is HK$0.36 cents, based in the profit for the year from the discontinued operation of approximately HK$201,909,000 and the denominators detailed above for both and diluted earning 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) Television advertisements: television advertising operations 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 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.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the profit or loss. There were no inter-segment sales during the year ended 30 June 2016 (2015: Nil).

All assets are allocated to reportable segments other than financial assets at fair value through profit or loss 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 taxation, convertible notes, promissory notes and unallocated liabilities. 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 continuing operations is set out below:

	Continuing operations					
	Outdoor advertising on buses and bus stations		Television advertisements		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from external customers	**42,208**	39,218	**–**	–	**42,208**	39,218
Reportable segment loss before income tax	**(3,907)**	(4,457)	**–**	(202,591)	**(3,907)**	(207,048)
Depreciation and amortisation	**(692)**	(5,963)	**–**	(27,037)	**(692)**	(33,000)
Other material non-cash items:						
– Impairment loss on intangible assets	**–**	–	**–**	(171,899)	**–**	(171,899)
– Impairment loss on goodwill	**–**	–	**–**	(3,527)	**–**	(3,527)
Reportable segment assets	**10,114**	11,861	**2,331**	2,515	**12,445**	14,376
Reportable segment liabilities	**12,830**	10,495	**19,319**	20,702	**32,149**	31,197
Additions to non-current assets	**80**	74	**–**	–	**80**	74

14. SEGMENT INFORMATION (continued)

Continuing operations (continued)

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

	2016 HK$'000	2015 HK$'000
Continuing operations:		
Revenue		
Total reportable segment revenues	**42,208**	39,218
	42,208	39,218
Profit or loss		
Reportable segment loss derived from Group's external customers	**(3,907)**	(207,048)
Other revenue and other income	**111**	9,159
Finance costs	**(17,576)**	(29,980)
Change in fair value of derivative financial instruments	**–**	702,813
Gain arising from redemption of convertible notes	**–**	35,699
Gain arising from extension of promissory notes	**–**	13,432
Loss arising from extinguishment of convertible notes	**–**	(42,214)
Unallocated head office and corporate expenses	**(13,067)**	(22,652)
(Loss)/profit before income tax	**(34,439)**	459,209
Assets		
Total reportable segment assets	**12,445**	14,376
Deposit paid for acquisition of a subsidiary	**15,000**	15,000
Financial assets at fair value through profit or loss	**43**	70
Unallocated corporate assets	**3,609**	5,549
Consolidated total assets	**31,097**	34,995

14. SEGMENT INFORMATION (continued)

Continuing operations (continued)

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

	2016 HK$'000	2015 HK$'000
Continuing operations: (continued)		
Liabilities		
Total reportable segment liabilities	**32,149**	31,197
Liabilities related to intelligent system (now discontinued)	**11,393**	11,393
Borrowings	**54,500**	42,000
Promissory notes	**50,000**	46,693
Deferred taxation	**106**	236
Unallocated corporate liabilities	**17,279**	4,541
Consolidated total liabilities	**165,427**	136,060

(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 2016, there was one customer (2015: no) accounted for over 10% of total revenue of the Group.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 July 2014	1,474	1,444	25,345	138	28,401
Additions	–	15	94	–	109
Disposals	–	(413)	(21)	(100)	(534)
Exchange realignment	–	1	–	–	1
At 30 June 2015 and 1 July 2015	1,474	1,047	25,418	38	27,977
Additions	–	10	–	36	46
Exchange realignment	–	(18)	9	(3)	(12)
At 30 June 2016	**1,474**	**1,039**	**25,427**	**71**	**28,011**
DEPRECIATION					
At 1 July 2014	(1,458)	(535)	(25,103)	(138)	(27,234)
Charge for the year	(14)	(275)	(132)	–	(421)
Written back on disposal	–	413	21	100	534
Exchange realignment	–	(1)	–	–	(1)
At 30 June 2015 and 1 July 2015	(1,472)	(398)	(25,214)	(38)	(27,122)
Charge for the year	(2)	(256)	(78)	(9)	(345)
Exchange realignment	–	17	25	3	45
At 30 June 2016	**(1,474)**	**(637)**	**(25,267)**	**(44)**	**(27,422)**
CARRYING VALUES					
At 30 June 2016	**–**	**402**	**160**	**27**	**589**
At 30 June 2015	2	649	204	–	855

16. INTANGIBLE ASSETS

	Licenses	Patents and trademarks	Computer software	Customer relationship	Media co-operation agreements	Total
	HK$000	HK$000	HK$000	HK$000	HK$000	HK$000
Cost:						
As at 1 July 2014, 30 June 2015, 1 July 2015	71,085	3,225	74,905	459	248,085	397,759
Written off	–	–	–	(459)	(248,085)	(248,544)
As at 30 June 2016	**71,085**	**3,225**	**74,905**	**–**	**–**	**149,215**
Accumulated amortisation and impairment:						
At 1 July 2014	64,228	3,225	74,905	133	49,479	191,970
Amortise for the year	5,912	–	–	73	26,960	32,945
Impairment	–	–	–	253	171,646	171,899
As at 30 June 2015, 1 July 2015	70,140	3,225	74,905	459	248,085	396,814
Amortise for the year	522	–	–	–	–	522
Written off	–	–	–	(459)	(248,085)	(248,544)
As at 30 June 2016	**70,662**	**3,225**	**74,905**	**–**	**–**	**148,792**
Net book value:						
As at 30 June 2016	**423**	**–**	**–**	**–**	**–**	**423**
As at 30 June 2015	945	–	–	–	–	945

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

16. INTANGIBLE ASSETS (continued)

Impairment of intangible assets

Outdoor advertising on buses and bus stations

During the year ended 30 June 2015 and 2016, 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. No impairment loss was recognised to the licenses during the year ended 30 June 2015 and 2016. 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 17.42%. The other key assumptions used in the value in use calculation are disclosed in note 17 to the consolidated financial statements.

Television advertisements

During the year ended 30 June 2015, the television advertisements operation does not operate, 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. The directors of the Company assessed the recoverable amount of the intangible assets and full provision for customer relationship and media co-operation agreements were provided due to the termination of a television advertisement co-operation project. The impairment losses have been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2015.

17. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost:		
At the beginning of year	**457,742**	457,742
At the end of year	**457,742**	457,742
Impairment:		
At the beginning of year	**457,742**	454,215
Impairment	**–**	3,527
At the end of year	**457,742**	457,742
Carrying amounts	**–**	–

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) Television advertisements

Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill relating to assets classified as held for sale) was allocated to groups of cash-generating units as follows:

	2016 HK$'000	2015 HK$'000
Outdoor advertising on buses and bus stations	**48,979**	48,979
Television advertisements	**408,763**	408,763
	457,742	457,742

17. GOODWILL (continued)

Outdoor advertising on buses and bus stations

For the year ended 30 June 2015, the recoverable amount of the cash-generating units 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 17.42% per annum.

Television advertisements

For the year ended 30 June 2015, the recoverable amount of the cash generating units is determined based on the assessment carried out by the directors of the Company as at the end of reporting period. An impairment loss of approximately HK$3,527,000 during the year ended 30 June 2015.

18. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2016 are as follows:

		Proportion of voting power and percentage of equity				
Name of company	Place of incorporation	Group's effective interest	Held by the Company	Held by the subsidiary	Particulars of issued/ registered capital	Principal activity and place of operation
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
石家莊市恩健公交廣告有限公司 (note (i))	The PRC	100%	–	100%	Registered capital of RMB3,000,000	Design, production and publication of outdoor advertisements in PRC
上海電廣媒體傳播有限公司 (note (i))	The PRC	100%	–	100%	Registered capital of RMB5,000,000	Provision of advertising placement agency services in television channel
Time Focus International Limited	The British Virgin Islands	100%	100%	–	1 ordinary share of US$1 each	Investment holding

18. PARTICULARS OF SUBSIDIARIES (continued)

Notes:

(i) 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**43**	70

Financial assets at fair value through profit or loss are stated at fair values which are determined with reference to quoted market bid prices.

20. ACCOUNT RECEIVABLES

	2016 HK$'000	2015 HK$'000
Debtors	**3,510**	2,214

(a) Ageing analysis

The following set out the ageing analysis of account receivables (net of allowance for doubtful debts) as of the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Current	**1,549**	35
Less than 1 month past due	**278**	500
1 to 3 months past due	**314**	1,114
Over 3 months past due	**1,369**	565
	3,510	2,214

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 account receivables and the Group does not hold any collateral over these balances.

20. ACCOUNT RECEIVABLES (continued)

(b) Impairment of debtors

No account receivables were impaired at 30 June 2016 (2015: HK$Nil) with reference to the subsequent received after the end of the reporting period.

(c) 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:

	2016 **HK$'000**	2015 HK$'000
Past-due but not impaired:		
– Less than three months past due	**592**	1,614
– Over 3 months past due	**1,369**	565
	1,961	2,179
Neither past due nor impaired	**1,549**	35
	3,510	2,214

Included in the Group's debtors as at 30 June 2016 are debtors with an aggregate carrying amount of approximately HK$1,961,000 (2015: HK$2,179,000) 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.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Prepayments	**2,666**	4,326
Rental and utility deposits	**180**	67
Other deposits (note)	**16,251**	16,593
Other receivables	**1,997**	2,419
	21,094	23,405

Note:

As at 30 June 2016, included in the Group's other deposits of HK$15,000,000 (2015: HK$15,000,000) was a refundable deposit paid for a proposed acquisition of new subsidiary.

22. CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	HK$'000
Cash at bank and in hand	**5,438**	7,506

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$2,829,000 (2015: HK$2,327,000). 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 (2015: from 0.01% to 0.35% per annum).

23. ACCOUNT PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Account payables (Notes (i) and (ii))	**820**	191
Accrued expenses and other payables	**41,521**	28,401
Purchase consideration payable	**196**	196
Receipts in advance	**2,507**	1,437
	45,044	30,225

Notes:

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

	2016 HK$'000	2015 HK$'000
Less than 1 month	**–**	–
1 to 3 months	**820**	191
Over 1 year	**–**	–
	820	191

(ii) The credit period of trade payables is generally from nil to 30 days.

24. 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 HK$30,000 with effect from 1 June 2014. 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.

25. BORROWINGS

	2016 HK$'000	2015 HK$'000
Loans	**54,500**	42,000
Carrying amount repayables		
Within one year	**44,500**	42,000
More than one year, but not exceeding two years	**10,000**	–
	54,500	42,000
Less: amounts shown under current liabilities	**(44,500)**	(42,000)
	10,000	–

As at 30 June 2016, the Group borrowed HK$42,000,000 with interest of 2.5% per month, HK$10,000,000 with interest of 2% per month and HK$2,500,000 with interest of 2%per month and repayable on 22 September 2015, 6 December 2017 and 23 August 2016 respectively.

The borrowings were secured by the equity interests in four wholly-owned subsidiaries of the Group.

26. 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. 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 fair value 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%.

26. PROMISSORY NOTES (continued)

On 29 August 2014, the Company has entered into two deeds of extension to amend the terms and conditions of the respective promissory notes with each of the two noteholders respectively, pursuant to which the parties to the respective deeds of extension agreed to extend the maturity date of the promissory notes from 31 August 2014 to 30 November 2014.

On 28 November 2014, the Company has entered into two second deeds of extension to further amend the terms and conditions of the respective promissory notes with each of the two noteholders respectively, pursuant to which the parties to the respective second deeds of extension agreed to further extend the maturity date of the promissory notes from 30 November 2014 to 27 February 2015.

On 2 April 2015, the Company has entered into a third deed of extension to further amend the terms and conditions of the promissory note with the noteholder, pursuant to which the parties to the respective second deeds of extension agreed to further extend the maturity date of the promissory notes from 27 February 2015 to 31 October 2015.

On 12 August 2016, the Company has agreed with the noteholder to convert the Promissory Note into the convertible bonds of an aggregate principal amount of HK$60,500,000 and issue 75 million new shares to Profit Eagle. as compensation for the default of payment under the Promissory Notes. Details please refer to the Company's announcement dated 12 August 2016.

	2016	2015
	HK$'000	HK$'000
At the beginning of the year	**46,693**	158,913
Interest charged	**3,307**	9,212
Gain arising on extension of promissory notes	**–**	(13,432)
Repayment of promissory notes	**–**	(108,000)
At the end of the year	**50,000**	46,693
Classified as:		
Current liabilities	**50,000**	46,693

During the year ended 30 June 2015, the promissory note with the principal amount in aggregate of HK$108,000,000 had been repaid by the Company.

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current taxation in the consolidated statement of financial position represents:

	2016 **HK$'000**	2015 HK$'000
Tax payable at the beginning of the year	**16,906**	16,668
Under provision for prior years		
– PRC Enterprise Income Tax	**–**	220
Exchange realignment	**(1,129)**	18
Tax payable at the end of the year	**15,777**	16,906
The amount is presented by:		
– Tax payable	**(15,777)**	(16,906)

28. DEFERRED TAXATION

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

	Intangible assets HK'000	**Convertible notes** HK'000	**Total** HK'000
At 1 July 2014	51,446	4,145	55,591
Credited to profit or loss	(51,210)	(4,145)	(55,355)
At 30 June 2015 and 1 July 2015	236	–	236
Credited to profit or loss	(130)	–	(130)
At 30 June 2016	**106**	**–**	**106**

At the end of the reporting period, the Group has unused tax losses of approximately HK$47,880,000 (2015: HK$46,514,000) available to offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

No deferred tax assets has been recognised in respect of the remaining tax losses of the Company due to the unpredictability of future profit streams.

29. SHARE CAPITAL

	2016 HK$'000	2015 HK$'000
Authorised		
3,000,000,000 shares of HK$0.10 each (2015: 30,000,000,000 shares of HK$0.01 each)	**300,000**	300,000

	Notes	Number of Shares '000	Nominal value HK$'000
At 1 July 2014		270,106	2,701
Shares consolidation	(i)	(243,096)	–
Issue of shares pursuant to redemption of convertible notes	(ii)	93,969	9,397
Issue of shares pursuant to open offer	(iii)	675,267	67,527
At 30 June 2015, 1 July 2015 and 30 June 2016		**796,246**	**79,625**

Notes:

(i) The Company's share consolidation was effective on 30 October 2014 pursuant to the resolution passed at the special general meeting on 29 October 2014. Every 10 issued and unissued shares of HK$0.01 each in the share capital of the Company will be consolidated into 1 consolidation share of HK$0.10 each.

(ii) On 3 December 2014, the Company issued 93,969,182 new ordinary shares at an issue price of HK$2.22 each for redemption of outstanding convertible notes. The excess over the par value of the shares issued was credited to the share premium of the Company.

(iii) On 3 December 2014, 675,266,925 shares of HK$0.10 each were issued by way of open offer at a price of HK$0.215 per share for net proceeds of approximately HK$137,674,000. The excess of the open offer over the par value of the shares issued was credited to the share premium of the Company. The Company intends to apply the net proceeds from the open offer for (i) early partial settlement of the outstanding promissory notes; (ii) paying the license fee for the Group's bus advertising business, acquiring more television airtime and acquiring other multi-media inventories to expand into advertising on other multi-media platforms; (iii) settlement of outstanding indebtedness owed to financial institutions; (iv) financing the operation of the Group and (v) for general working capital.

(iv) All new ordinary shares issued during the year ended 30 June 2016 and 2015 rank pari passu in all respects with the then existing shares.

30. 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 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.

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.

		Number of share options						
	Date of grant	Outstanding as at 1 July 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2016	Option period	Exercise price per share
Former directors, senior management, other employees and consultants	20 September 2005	160	–	–	(160)	–	20 September 2005 to 19 September 2015	HK$707.09
	23 August 2007	11,252	–	–	–	11,252	23 August 2007 to 22 August 2017	HK$3,907.76
	9 September 2008	4,975	–	–	–	4,975	9 September 2008 to 8 September 2018	HK$1,079.39
	11 September 2008	3,546	–	–	–	3,546	11 September 2008 to 10 September 2018	HK$1,209.46
	16 December 2008	3,546	–	–	–	3,546	16 December 2008 to 15 December 2018	HK$472.70
	17 February 2009	1,932	–	–	–	1,932	17 February 2009 to 16 February 2019	HK$614.18
	29 May 2009	1,932	–	–	–	1,932	29 May 2009 to 28 May 2019	HK$545.72
	31 December 2009	1,104	–	–	–	1,104	31 December 2009 to 30 December 2019	HK$279.06
	15 January 2010	9,675	–	–	–	9,675	15 January 2010 to 14 January 2020	HK$452.81
Total		38,122	–	–	(160)	37,962		

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.

30. SHARE OPTION SCHEMES (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$0.063	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	1.012%	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.

31. RESERVES

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

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(n)(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(r).

31. RESERVES (continued)

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(y).

(vi) Distributable of reserves

At 30 June 2016, no reserve was available for distribution as dividends to shareholders of the Company (2015: HK$Nil).

32. DISPOSAL OF SUBSIDIARIES

On 25 April 2014, the Company entered into the conditional sale and purchase agreement (the "Sale and Purchase Agreement") to dispose the outdoor advertising on billboards and outdoor display spaces operations. The outdoor advertising on billboards and outdoor display spaces operation were discontinued following the disposal of Redgate Ventures Limited ("Redgate"), a direct wholly-owned subsidiary of the Company, and its subsidiaries (collectively known as the "Redgate Group"), which carried out all of the Group's outdoor advertising on billboards and outdoor display spaces operation. As the conditions precedent to the Sale and Purchase Agreement have not been fulfilled on or before 31 August 2014, being the long stop date for the fulfillment of the conditions, the Company and the purchaser agreed to terminate the Sale and Purchase Agreement. Accordingly, the Company and the purchaser entered into the termination deed on 1 September 2014 pursuant to which the parties agreed that the Sale and Purchase Agreement be terminated and all antecedent obligations and liabilities of the parties under the Sale and Purchase Agreement should be absolutely discharged and released immediately upon the signing of the termination deed and no party should have any claim against the other party in respect of any matter or thing arising out of or in connection with the Sale and Purchase Agreement.

On 1 September 2014, the Company and the new purchaser entered into the new sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the new purchaser conditionally agreed to purchase Redgate Group at cash consideration of HK$600,000. The disposal of Redgate Group was completed on 17 November 2014.

32. DISPOSAL OF SUBSIDIARIES (continued)

Summary of the effects of the disposal of Redgate Group are as follows:

	HK$'000
Net liabilities disposed of:	
Available-for-sale financial assets	1
Property, plant and equipment	89
Accounts receivable	31,649
Prepayments, deposits and other receivables	23,756
Prepaid advertising placement service costs	10,906
Cash and cash equivalents	17,913
Trade payables, accrued expenses and other payables	(297,791)
Tax payable	(15,512)
	(228,989)
Non-controlling interests	6,218
Net liabilities disposed of	(222,771)

Gain on disposal of subsidiaries:

	HK$'000
Consideration received	600
Net liabilities disposed of	222,771
Reclassification of exchange reserve upon disposal of subsidiaries to profit or loss	(392)
Gain on disposal	222,979

Net cash outflow on disposal of Redgate Group:

	HK$'000
Consideration received in cash and cash equivalents	600
Less: Cash and cash equivalents disposed of	(17,913)
	(17,313)

Gain on disposal is included in profit for the year ended 30 June 2015 from discontinued operations in the consolidated statement of profit or loss and other comprehensive income and the impact of Redgate Group on the Group's results and cash flows in the prior year is disclosed in Note 10.

33. 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 optimisation 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 2016 and 2015.

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

The Group's gearing ratios at 30 June 2016 and 30 June 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Debt (Note (i))	**104,500**	88,693
Cash and cash equivalents	**(5,438)**	(7,506)
Net debt	**99,062**	81,187
Equity (note (ii))	**(134,330)**	(101,065)
Net debt to equity ratio	**N/A**	N/A

Notes:

(i) Debt comprises borrowings and promissory notes.

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

34. 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

	2016 HK$'000	2015 HK$'000
Financial assets		
Fair value through profit or loss	**43**	70
Loans and receivables (including cash and cash equivalents)	**27,376**	28,799
Financial liabilities		
Amortised cost	**149,544**	118,918
Derivative financial liabilities	**–**	–

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 interest rate risk arises from interest-bearing borrowings. Other borrowings disclosed in note 25 carry at fixed interest rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

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

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(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 Group had consolidated net current liabilities and net liabilities of approximately HK$125,236,000 and HK$134,330,000 as at 30 June 2016. Nevertheless, the directors of the Company implemented secured measured to improve the liquidity position of the Company as detailed in note 3(b) to the financial statements. 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.

The following table details the remaining contractual maturities at the end of the reporting period of the Group'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 can be required to pay.

	2016					2015				
	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**	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
Trade payables, accrued expenses and other payables	**45,044**	**45,044**	**45,044**	**–**	**–**	30,225	30,225	30,225	–	–
Borrowings	**54,500**	**54,500**	**44,500**	**10,000**	**–**	42,000	42,000	42,000	–	–
Promissory notes	**50,000**	**50,000**	**50,000**	**–**	**–**	46,693	50,000	50,000	–	–
	149,544	**149,544**	**139,544**	**10,000**	**–**	118,918	122,225	122,225	–	–

(c) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss (see note 19) as at 30 June 2016 and 2015 respectively.

Sensitivity analysis

At 30 June 2016, if equity prices at that date had been 5% higher/lower with all other variables held constant, loss after taxation would increase/decrease by approximately HK$2,000 (2015: profit after taxation would decrease/increase by HK$4,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Credit risk

The Group has policies in place to ensure that 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 account receivables are set out in note 20.

As at 30 June 2016, the Group had certain concentration of credit risk as 79% (2015: 93%) of the total account receivables of the Group were due from 5 customers (2015: 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 2016 (2015: 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.

(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 are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(g) 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 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at fair value through profit or loss	**43**	–	–	**43**

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(g) Fair value measurements recognised in the consolidated statement of financial position (continued)

	As at 30 June 2015			
	The Group			
	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	70	–	–	70

There were no transfers between instruments in Level 1, Level 2 and Level 3 during the years ended 30 June 2016 and 2015.

35. COMMITMENTS

(a) Operating leases commitment

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**520**	334
After 1 year but within 5 years	**464**	64
	984	398

(b) Capital commitments

Capital commitments outstanding at 30 June 2016 not provided for in the financial statements of the Group were as follows:

	2016 **HK$'000**	2015 HK$'000
Contracted but not provided for:		
Investment in joint venture	**–**	7,000

36. 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 vigorously contested such claims.

The Plaintiff's claims came before the Honourable Deputy High Court Judge Wilson Chan for trial on 3 to 7, 10 to 13, 18 and 19 November 2014 and Judgment was handed down by the Honourable Deputy High Court Judge Wilson Chan on 29 January 2015 ("the Judgment"). By the Judgment, the Honourable Deputy High Court Judge Wilson Chan dismissed all the Plaintiff's claims with costs to the Defendants.

The Plaintiff served a Notice of Appeal against the Judgement on 4 March 2015, and his appeal was heard on 12 July 2016 with Judgment 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, a Writ of Summons was issued by Smart Step Holdings Limited ("SSHL") as the plaintiff against the Company, Inno-Gold Mining Limited ("IGML") and Dragon Emperor International Limited ("DEIL"). DEIL and IGML were the subsidiaries of the Company until 9 May 2011 when the Company disposed all its interest in them.

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.

36. LITIGATION (continued)

(c) On 30 January 2015, the Securities and Futures Commission ("the Petitioner") presented a Petition to the High Court under section 214 of the Securities and Futures Ordinance, Cap. 571 ("the Petition") against the Company and 4 ex-directors of the Company, namely, Wong Yuen Yee, Wong Yao Wing, Robert, Wong Kwok Sing and Lam Shiu San (collectively "the Ex-Directors"). It is the Petitioner's complains that the Ex-Directors had conducted the business or affairs of the Company in a manner involving misfeasance or misconduct toward the Company, its members or any part of its members and/or unfairly prejudicial to its members or any part of its members.

By the Petition the Petitioner sought an order that the Company shall bring in its name civil proceedings against the Ex-Directors to seek recovery of compensation or loss and damages suffered by the Company as a result of such misfeasance or misconduct or unfairly prejudicial conduct and also disqualification of the ex-directors to be director, liquidator, or receiver or manager of any listed or unlisted company in Hong Kong or from taking part in the management of any listed or unlisted company in Hong Kong on such terms and for such periods as the Court shall think fit and/or other reliefs.

The Company has sought independent legal advice on the Petition and the Petition has been scheduled for hearing on 29 April 2015.

According to the order of the High Court, the Company has filed and served the writ on 8 March 2016 and the case no. is HCA 489 of 2015.

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.

37. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions:

(a) During the year, the Group entered into the following material related party transactions:

Related party relationship	Type of transaction	2016 HK$'000	2015 HK$'000
A company that Mr. Ang Wing Fung, a former director of the Company, is a common director	Administrative expenses paid	–	514

(b) Compensation of key management personnel

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

	2016 HK$'000	2015 HK$'000
Basic salary, allowance and other benefits	720	603
Recognised retirement pension	18	36
	738	639

38. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in these financial statements, the Group has the following significant events which took place subsequent to the end of the reporting period:

On 12 August 2016, the Company has entered into the Shares Placing Agreement, the First Deed of Amendment, the Second Deed of Amendment and the CB Placing Agreement, the detail as follow,

(a) The Company entered into placing agreement with a placing agent for placing an aggregate of 159,249,356 shares to not less than six shares placees at a price of HK$0.1 per placing share.

(b) The Company and Profit Eagle Limited entered into the First Deed of Amendment, pursuant to which the Company agreed with Profit Eagle, to convert the outstanding promissory notes of HK$50 million into the HK$60.5 million of convertible bond and to issue 75 million new shares to Profit Eagle as compensation for the default payment under the promissory notes.

(c) The Company and Kuo Yi Hui, an independent third party, entered into the Second Deed of Amendment, pursuant to which the Company agreed with Kuo Yi Hui, to convert the outstanding borrowing of HK$42 million into HK$50 million of convertible bond.

(d) The Company entered into a placing agreement with the placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees, or failing which itself as principal on a fully underwritten basis, to subscribe for HK$25 million of convertible bonds by one or more tranches of not less than HK$0.5 million.

39. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 30 June 2016 (2015:Nil).

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	**469**	737
Interest in subsidiaries	**–**	–
Current assets		
Prepayments, deposits and other receivables	**15,453**	15,407
Amounts due from subsidiaries	**190**	–
Cash and cash equivalents	**2,530**	4,551
	18,173	19,958
Current liabilities		
Accrued expenses and other payables	**17,264**	4,539
Amount due to subsidiary	**9,385**	9,385
Borrowings	**42,000**	42,000
Promissory notes	**50,000**	46,693
	118,649	102,617
Net current liabilities	**(100,476)**	(82,659)
Total assets less current liabilities	**(100,007)**	(81,922)
Non-current liabilities		
Borrowings	**10,000**	–
Net liabilities	**(110,007)**	(81,922)
Equity		
Share capital	**79,625**	79,625
Reserves (Note)	**(189,632)**	(161,547)
Equity attributable to the owners of the Company	**(110,007)**	(81,922)

The Company's statement of financial position were approved and authorised for issue by the board of directors on 31 August 2016 and are signed on its behalf by:

Ha Chuen Yeung *Director*	**Lau King Hang** *Director*

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Movement in reserves

	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 2014	940,317	38,714	8,060	52,959	43	(1,980,486)	(940,393)
Profit and total comprehensive income for the year	–	–	–	–	–	669,232	669,232
Transfer to accumulated loss upon extinguishment of convertible notes	–	–	(8,060)	–	–	8,060	–
Issue of shares pursuant to the redemption of convertible notes	39,467	–	–	–	–	–	39,467
Issue of shares pursuant to the open offer	77,656	–	–	–	–	–	77,656
Open offer expenses	(7,509)	–	–	–	–	–	(7,509)
As 30 June 2015 and 1 July 2015	1,049,931	38,714	–	52,959	43	(1,303,194)	(161,547)
Loss and total comprehensive loss for the year	–	–	–	–	–	(28,085)	(28,085)
Lapse of share option	–	(86)	–	–	–	86	–
At 30 June 2016	1,049,931	38,628	–	52,959	43	(1,331,193)	(189,632)

41. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the Board of Directors on 31 August 2016.