

**INNO-TECH HOLDINGS LIMITED**

匯創控股有限公司

Interim Report

**2018/19**



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

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

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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 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 other matters the omission of which would make any statement herein or this report misleading.*

## CORPORATE INFORMATION

### Board of Directors

Mr. Pu Haiyong  
Mr. Zheng Pin  
(appointed on 1 February 2019)  
Mr. Wang Yu  
(resigned on 1 February 2019)  
Dr. Chan Yiu Wing  
Ms. Ma Muyuan  
(appointed on 7 January 2019)  
Mr. Lau King Hang  
(resigned on 7 January 2019)  
Mr. Zhang Baocai  
Mr. Wong Kam Fai\*  
(appointed on 21 December 2018)  
Mr. Tse Yuen Ming\*  
Ms. Liu Jianyi\*  
(resigned on 21 December 2018)  
Mr. Tsang Chun Kit\*  
(appointed on 7 January 2019)

\* Independent non-executive Directors

### Compliance Officer

Mr. Chan Cheung

### Authorised Representatives

Dr. Chan Yiu Wing  
Mr. Chan Cheung

### Company Secretary

Mr. Chan Cheung

### Audit Committee

Mr. Tsang Chun Kit (*Chairman*)  
(appointed on 7 January 2019)  
Mr. Tse Yuen Ming  
Mr. Wong Kam Fai  
(appointed on 21 December 2018)  
Ms. Liu Jianyi  
(resigned on 21 December 2018)

### Nomination Committee

Mr. Wong Kam Fai (*Chairman*)  
(appointed on 21 December 2018)  
Ms. Ma Muyuan  
(appointed on 7 January 2019)  
Mr. Tse Yuen Ming  
Dr. Chan Yiu Wing  
Mr. Lau King Hang  
(resigned on 7 January 2019)  
Mr. Tsang Chun Kit  
(appointed on 7 January 2019)

### Remuneration Committee

Mr. Wong Kam Fai (*Chairman*)  
(appointed on 21 December 2018)  
Ms. Ma Muyuan  
(appointed on 7 January 2019)  
Mr. Lau King Hang  
(resigned on 7 January 2019)  
Mr. Tsang Chun Kit  
(appointed on 7 January 2019)

### Head Office and Principal Place of Business

Unit No. 1015, Level 10, Tower 1,  
Grand Century Place,  
193 Prince Edward Road West,  
Mong Kok, Kowloon, Hong Kong

### Auditor

Elite Partners CPA Limited  
*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**

Conyers Corporate Services  
(Bermuda) Limited

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

## **Hong Kong Branch Share Registrar and Transfer Office**

Computershare Hong Kong Investor  
Services Limited

Shops 1712-1716, 17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## **GEM Stock Code**

8202

## HIGHLIGHTS

- Revenue for the six months ended 31 December 2018 amounted to approximately HK\$18,000,000 (2017: approximately HK\$20,119,000), representing a decrease of approximately 10.5% as compared to amount reported in the corresponding period in 2017.
- Loss attributable to owners of the Company for the six months ended 31 December 2018 amounted to approximately HK\$36,732,000 (2017: profit of approximately HK\$454,915,000).
- Basic loss per share amounted to approximately HK\$0.035 for the six months ended 31 December 2018 (2017: basic earnings per share HK\$0.46).
- The Board did not recommend the payment of a dividend for the six months ended 31 December 2018.

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 December 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follow:–

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the three months ended 31 December 2018		Unaudited For the six months ended 31 December 2018	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	11,568	7,016	18,000	20,119
Cost of sales		(12,537)	(4,316)	(18,337)	(16,816)
Gross profit/(loss)		(969)	2,700	(337)	3,303
Other revenue and net income		5	803	5	810
Marketing and promotion expenses		(190)	(88)	(279)	(490)
Administrative expenses		(7,351)	(6,143)	(9,923)	(13,728)
Finance costs		–	(20)	(15)	(20)
Gain/(loss) on fair value change in trading securities		–	13	(2)	–
Loss on repayment of promissory notes		–	–	–	–
Loss on repayment of borrowings		–	–	–	–
Fair value gain/(loss) on convertible bonds*		(429,381)	62,075	(26,181)	465,040
<b>Profit/(Loss) before income tax</b>	4	<b>(437,886)</b>	59,340	<b>(36,732)</b>	454,915
Income tax	5	–	–	–	–
<b>Profit/(Loss) for the period</b>		<b>(437,886)</b>	59,340	<b>(36,732)</b>	454,915
<b>Profit/(Loss) for the period attributable to:</b>					
Owners of the Company		(437,886)	59,340	(36,732)	454,915
<b>Earnings/(Loss) per share attributable to the owners of the Company</b>	6				
– Basic (HK\$ per share)		(0.40)	0.06	(0.035)	0.46
– Diluted (HK\$ per share)		(0.26)	(0.002)	(0.022)	(0.006)

\* According to valuation report of International Valuation Limited.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	Unaudited		Unaudited	
	For the three months ended 31 December 2018		For the six months ended 31 December 2018	
	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit/(Loss) for the period</b>	(437,886)	59,340	(36,732)	454,915
<b>Other comprehensive income/(loss)</b>				
Exchange difference arising on translation of financial statements of overseas subsidiaries	(562)	(1,917)	(562)	2,752
<b>Total comprehensive income/(loss) for the period</b>	(438,448)	57,423	(37,294)	457,667
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	(438,448)	57,423	(37,294)	457,667

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>Unaudited As at 31 December 2018 HK\$'000</b>	Audited As at 30 June 2018 HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>706</b>	246
Intangible assets		–	–
Investment deposits		–	–
		<b>706</b>	246
<b>Current assets</b>			
Financial assets at fair value through profit or loss	9	<b>19</b>	21
Accounts receivable	10	<b>12,134</b>	2,282
Loan receivables	11	<b>6,321</b>	6,851
Prepayments, deposits and other receivables		<b>14,786</b>	13,177
Cash and cash equivalents		<b>3,595</b>	4,883
		<b>36,855</b>	27,214
<b>Current liabilities</b>			
Account payables, accrued expenses and other payables	12	<b>71,214</b>	55,150
Borrowings		<b>15,650</b>	10,500
Promissory notes		–	–
Convertible bonds	13	–	118,800
Tax payable		<b>16,422</b>	17,242
		<b>103,286</b>	201,692
<b>Net current liabilities</b>		<b>(66,431)</b>	(174,478)
<b>Total assets less current liabilities</b>		<b>(65,725)</b>	(174,232)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		Unaudited As at 31 December 2018 HK\$'000	Audited As at 30 June 2018 HK\$'000
	Notes		
<b>Non-current liabilities</b>			
Convertible bonds	13	145,801	–
Deferred taxation		–	–
		<b>145,801</b>	–
<b>Net liabilities</b>		<b>(211,526)</b>	(174,232)
<b>Equity</b>			
Share capital	14	10,529	10,529
Reserves		(222,055)	(184,761)
<b>Total deficit</b>		<b>(211,526)</b>	(174,232)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Attributable to the owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	
At 1 July 2017 (audited)	9,979	1,532,739	38,628	146,598	43	3,280	(743)	(2,314,750)	(584,226)
Profit/(Loss) for the period	-	-	-	-	-	-	-	454,915	454,915
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	-	-	2,752	-	-	2,752
Total comprehensive loss for the period	-	-	-	-	-	2,752	-	454,915	457,667
Lapse of share option	-	-	(23,134)	-	-	-	-	23,134	-
At 31 December 2017 (unaudited)	9,979	1,532,739	15,494	146,598	43	6,032	(743)	(1,836,701)	(126,559)
At 1 July 2018 (audited)	10,529	1,542,989	15,495	146,598	43	279	(743)	(1,889,422)	(174,232)
Profit/(Loss) for the period	0	0	0	0	0	0	0	(36,732)	(36,732)
Exchange difference on translation of financial statement of overseas subsidiaries	0	0	0	0	0	(562)	0	0	(562)
Total comprehensive loss for the period	0	0	0	0	0	(562)	0	(36,732)	(37,294)
At 31 December 2018 (unaudited)	10,529	1,542,989	15,495	146,598	43	(283)	(743)	(1,926,154)	(211,526)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Net cash used in operating activities	<b>(681)</b>	(9,699)
Net cash (used in)/generated investing activities	<b>(592)</b>	48
Net cash (used in)/generated from financing activities	<b>(15)</b>	(170)
(Decrease)/increase in cash and cash equivalents	<b>(1,288)</b>	(9,821)
Cash and cash equivalents at the beginning of the period	<b>4,883</b>	10,806
Effect of foreign exchange rate change	–	3,612
Cash and cash equivalent at the end of the period	<b>3,595</b>	4,597
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	<b>3,595</b>	4,597

Notes:

## 1. BASIS OF PREPARATION OF ACCOUNTS

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2018 (“Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 30 June 2018, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 30 June 2018 (the “Annual Report”).

As at 31 December 2018, the Group had net debt (i.e. total short-term borrowings and other debts less cash and cash equivalent) of approximately HK\$245,492,000 (30 June 2018: approximately HK\$196,809,000).

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. The Directors reviewed the Group’s financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

- (a) possible fund raising activities including, but not limited to, further placing, rights issues or open offer are to be attempted;
- (b) the Group is in negotiation with financial institutions for new borrowings and applying for future credit facilities; and
- (c) the management plans to improve the Group’s financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide a growing and recurring source of income.

## **1. BASIS OF PREPARATION OF ACCOUNTS (Continued)**

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.

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 needs. These condensed 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 condensed 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.

In the opinion of the directors of the Company, 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 condensed consolidated financial statements on a going concern basis.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The Interim Financial Statements have been prepared under the historical cost convention, except for securities investment which are stated at fair value.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report.

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior years.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

### 3. REVENUE

Revenue represents the income from outdoor advertising operations, from event management and marketing services in Hong Kong and the People's Republic of China ("PRC"). And the income from money lending business in Hong Kong. The amount of revenue recognised during the period is as follows:

	Unaudited	
	For the six months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
Outdoor advertising	8,414	17,958
Television advertisements	2,000	–
Event management and marketing services	7,161	2,161
Interest income from money lending	425	–
	<b>18,000</b>	<b>20,119</b>

### 4. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Unaudited	
	For the six months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
Finance cost		
Borrowing interests	15	20
Imputed interest on convertible bonds	–	150
Staff cost	4,867	5,308
Amortisation of intangible assets	–	–
Depreciation on owned assets	132	126
Operating lease charge in respect of office premises	1,300	622

## 5. INCOME TAX

Income tax in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited For the six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
<b>Current tax</b>		
PRC Enterprise Income Tax	–	–
<b>Deferred tax</b>		
Current tax	–	–
Tax credit for the period	–	–

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and the PRC respectively during the period (2017: Nil).

## 6. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share shown in the condensed consolidated statement of profit or loss are calculated based on the following profit/(loss) attributable to the owners of the Company and the weighted average number of ordinary shares outstanding.

### Profit/(Loss) attributable to the owners of the Company

	Three months ended 31 December		Six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Profit/(Loss) attributable to owners of the Company (Basic)	<b>(437,886)</b>	59,340	<b>(36,732)</b>	454,915
Adjustment: Fair value gain/(loss) on convertible bonds	<b>429,381</b>	(62,075)	<b>26,181</b>	(465,040)
Loss attributable to owners of the Company (dilutive)	<b>(8,505)</b>	(2,735)	<b>(10,551)</b>	(10,125)

## 6. EARNINGS/(LOSS) PER SHARE (Continued)

### Weighted average number of ordinary shares

	Three months ended 31 December		Six months ended 31 December	
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average number of ordinary shares for the period (for basic earnings/(loss) per share)	<b>1,052,949</b>	997,949	<b>1,052,949</b>	997,949
Effect of assumed conversion of convertible bonds	<b>600,000</b>	655,000	<b>600,000</b>	655,000
Weighted average number of ordinary shares for the period (for dilutive earnings/(loss) per share)	<b>1,652,949</b>	1,652,949	<b>1,652,949</b>	1,652,949

## 7. 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 period. These segments are managed separately. No operating segment have been aggregated to form the following reportable segments:

- (1) Outdoor advertising business: outdoor advertising operations in HK & PRC;
- (2) Television advertisements: television advertising operations in the HK;
- (3) Event management services: event management and marketing services in HK & PRC; and
- (4) Money Lending Business: money lending operations in HK



## 7. SEGMENT INFORMATION (Continued)

### (a) Business segments

Information regarding the Group's reportable segments set out as follows:

	For the six months ended 31 December 2018				
	Outdoor advertising (unaudited)	Television advertisements (unaudited)	Event management services (unaudited)	Money lending business	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>					
Revenue from external customers	8,414	2,000	7,161	425	18,000
<b>Reportable segment profit/(loss)</b>	(2,595)	(112)	(2,934)	278	(5,363)
Depreciation and amortisation	4	-	15	1	20
Reportable segment assets	22,179	-	7,813	6,187	36,179
Reportable segment liabilities	67,258	-	13,204	-	80,462
	For the six months ended 31 December 2017				
	Outdoor advertising on buses and bus stations (unaudited)	Television advertisements (unaudited)	Event management services (unaudited)		Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000		HK\$'000
<b>Segment revenue</b>					
Revenue from external customers	17,959	-	2,160		20,119
<b>Reportable segment loss</b>	(2,144)	-	(3,617)		(5,761)
Depreciation and amortisation	28	-	11		39
Reportable segment assets	11,593	-	188		11,781
Reportable segment liabilities	21,690	-	-		21,690

## 7. SEGMENT INFORMATION (Continued)

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

	Unaudited For the six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000

<b>Revenue</b>		
Total reportable segment revenues	<b>18,000</b>	20,119

	Unaudited For the six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000

<b>Loss before income tax</b>		
Reportable segment loss	<b>(5,365)</b>	(5,761)
Other revenue and net income	<b>5</b>	810
Finance costs	<b>(15)</b>	(20)
Loss on repayment of promissory notes	<b>-</b>	-
Loss on repayment of borrowings	<b>-</b>	-
Fair value gain/(loss) on convertible bonds	<b>(26,181)</b>	465,040
Unallocated head office and corporate expenses	<b>(5,176)</b>	(5,154)

Consolidated profit/(loss) before income tax	<b>(36,732)</b>	454,915
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	Unaudited	
	As at 31 December 2018	As at 31 December 2017
	HK\$'000	HK\$'000

<b>Total assets</b>		
Total reportable segment assets	<b>36,179</b>	11,781
Deposit for acquisition of subsidiaries	<b>-</b>	15,000
Financial assets at fair value through profit or loss	<b>19</b>	35
Unallocated corporate assets	<b>1,363</b>	1,798

Consolidated total assets	<b>37,561</b>	28,614
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7. SEGMENT INFORMATION (Continued)

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

	<b>Unaudited</b>	
	<b>As at</b>	As at
	<b>31 December</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Total liabilities</b>		
Total reportable segment liabilities	<b>80,462</b>	21,690
	<b>80,462</b>	21,690
Deferred taxation	–	–
Unallocated corporate liabilities	<b>22,824</b>	28,683
Convertible bonds	<b>145,801</b>	104,800
	<b>249,087</b>	155,173

(c) Geographic information

The Group's operations and workforce are mainly located in the PRC and Hong Kong.

The following table provides an analysis of the Group's revenue from external customers.

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>31 December</b>	30 June
	<b>2018</b>	2018
	<b>HK\$'000</b>	HK\$'000
Revenue from external customers		
Hong Kong	<b>6,425</b>	1,240
The PRC	<b>11,575</b>	32,032
	<b>18,000</b>	33,272

## 7. SEGMENT INFORMATION (Continued)

### (c) Geographic information (Continued)

The following table provides an analysis of the Group's non-current assets.

	<b>Unaudited As at 31 December 2018 HK\$'000</b>	Audited As at 30 June 2018 HK\$'000
Non-current assets		
Hong Kong	<b>598</b>	182
The PRC	<b>108</b>	64
	<b>706</b>	246

### (d) Information about major customers

For the six months ended 31 December 2018, there were 4 customers (30 June 2017: 1) from outdoor advertising segment accounted for 46.7% (30 June 2017: 13%), approximately HK\$8,414,000 (30 June 2017: HK\$6,063,000) of total revenue of the Group.

## 8. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited As at 31 December 2018 HK\$'000</b>
Net book value as at 1 July	<b>246</b>
Additions	<b>592</b>
Depreciation	<b>132</b>
Exchange realignment	-
Net book value as at 31 December	<b>706</b>

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2018 HK\$'000	Audited As at 30 June 2018 HK\$'000
Listed securities:		
– Equity securities listed in Hong Kong	19	21

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

## 10. ACCOUNT RECEIVABLES

	Unaudited As at 31 December 2018 HK\$'000	Audited As at 30 June 2018 HK\$'000
Trade debtors	12,134	3,776
Less: allowance for doubtful debts	–	(1,494)
	<b>12,134</b>	<b>2,282</b>

The ageing analysis of account receivables is as follows:

	Unaudited As at 31 December 2018 HK\$'000	Audited As at 30 June 2018 HK\$'000
Current	6,671	–
Less than 1 months past due	–	1,823
1 to 3 months past due	763	459
Over 3 months past due	4,700	–
	<b>12,134</b>	<b>2,282</b>

**10. ACCOUNT RECEIVABLES (Continued)**

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

	<b>Unaudited As at 31 December 2018 HK\$'000</b>	Audited As at 30 June 2018 HK\$'000
Past due but not impaired:		
– Less than 3 months past due	7,434	2,282
– Over 3 months past due	4,700	–
	<b>12,134</b>	<b>2,282</b>

**11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>Unaudited As at 31 December 2018 HK\$'000</b>	Audited As at 30 June 2018 HK\$'000
Prepayments	7,567	5,665
Rental and utility deposits	327	1,390
Other deposits	6,892	1,681
Other receivables	–	4,441
At the end of period/year	<b>14,786</b>	<b>13,177</b>

**12. ACCOUNT PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>Unaudited As at 31 December 2018 HK\$'000</b>	Audited As at 30 June 2018 HK\$'000
Account payables	42,113	32,932
Accrued expenses and other payables	29,101	11,973
Receipts in advance	–	10,245
	<b>71,214</b>	<b>55,150</b>

## 12. ACCOUNT PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES (Continued)

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

	<b>Unaudited As at 31 December 2018 HK\$'000</b>	Audited As at 30 June 2018 HK\$'000
Less than 1 month	–	–
1 to 3 months	<b>42,113</b>	35,533
3 to 6 months	–	–
6 months to 1 year	–	–
Over 1 year	–	–
	<b>42,113</b>	35,533

## 13. CONVERTIBLE BONDS

On 7 November 2016, the Company issued the following convertible bonds as a part of financial restructuring.

### Convertible bond 1 (“CB 1”)

The Company issued zero-coupon convertible bonds with the principal amount of HK\$60,500,000 to Profit Eagle Limited, the holder of promissory note with the aggregate carrying amount of HK\$50,000,000, as part of the consideration to settle the promissory note that had been due for payment since 31 October 2015. The maturity date of CB 1 will be on the day last preceding the second anniversary of the date of the issue of the CB 1, i.e. 6 November 2018.

On 19 October 2018, the Company entered into a deed of amendment (“the Deed of Amendment”) with Bondholder pursuant to which the parties thereto have agreed conditionally to amend certain terms and conditions of the Bonds; and as all the condition precedents in the Deeds of Amendment have been fulfilled. The Company hereby amends certain terms and conditions of the Bonds in accordance with the terms of the Deed of Amendment.

On 30 November 2018, a circular which disclosed connected transaction in relation to the proposed extension of maturity date of convertible bonds and notice of special general meeting was sent by the Company.

### 13. CONVERTIBLE BONDS (Continued)

#### Convertible bond 1 ("CB 1") (Continued)

The principal terms of the CB1 after the Extension Deed become effective are as follows:

Outstanding principal amount	HK\$60,000,000
Interest rate	Interest free
Maturity date	the day last preceding the fourth anniversary of the date of the issue of the CB 1 (i.e. 6 November 2020)
Conversion period	Any time until the maturity date of the CB
Conversion Price	HK\$0.10 per Conversion Share, subject to adjustments in certain events as disclosed in the paragraph headed "Anti-dilution adjustments" below

On 17 December 2018, the Ordinary resolution to approve the entering into of the Extension Deed in respect of the CB1 and the transactions contemplated thereunder (including but not limited to the Alteration of certain terms and conditions of the Convertible Bonds) and the grant of the Specific Mandate was approved by the independent shareholders by way of poll at the SGM held on 17 December 2018.

The movements of CB 1 during the period are set out below:

	CB 1 HK\$'000	Total HK\$'000
At 30 June 2018 and 1 July 2018	118,800	118,800
Fair value remeasurement at the end of reporting period	27,001	27,001
	<b>145,801</b>	<b>145,801</b>
Analysed for reporting purpose as:		
At 31 December 2018		
– Current portion	–	–
– Non-current portion	145,801	145,801
	<b>145,801</b>	<b>145,801</b>
At 31 December 2018		
– Non-current portion	<b>145,801</b>	<b>145,801</b>

During the period ended 31 December 2018, the loss of HK\$26,181,000 were recognised in profit or loss attributable to fair value measurement of outstanding convertible bonds.



14. SHARE CAPITAL

	Par value of each share HK\$	Number of Shares	Nominal value HK\$'000
<b>Authorised</b>			
At 30 June 2018, 1 July 2018 and 31 December 2018	0.01	30,000,000,000	300,000
<b>Issued and fully paid</b>			
At 30 June 2018, 1 July 2018 (audited)	0.01	1,052,949,099	10,529
At 31 December 2018 (unaudited)	0.01	1,052,949,099	10,529

15. COMMITMENTS

(i) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are payable as follow:

	Unaudited As at 31 December 2018 HK\$'000	Audited As at 30 June 2018 HK\$'000
Within 1 year	12,475	22,729
Over 1 year but within 5 years	1,354	755
	<b>13,829</b>	<b>23,484</b>

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the six months ended 31 December 2018, the Group's unaudited consolidated revenue amounted to approximately HK\$18,000,000 (2017: approximately HK\$20,119,000).

The Group recorded a loss for the period attributable to the owners of the Company of approximately HK\$36,732,000 for the six months ended 31 December 2018 (2017: profit of approximately HK\$454,915,000) representing a decrease of approximately 10.8 times as compared to that of the corresponding period in 2017. Such turnaround for the six months ended 31 December 2018 was mainly due to the loss on changes in fair value of convertible bonds.

Basic loss per share for the six months ended 31 December 2018 was approximately HK\$0.035 (2017: basic loss per share of approximately HK\$0.46).

### Outdoor advertising business in HK & PRC

Starting from 2010, the Group has focused on the business operations of outdoor advertising on bus body and bus station in the PRC. The Group offers customers advertising solutions, making use of the large-screen advertising space for the whole car with the service scope of planning, graphic design, installation and maintenance. Most of the new customers and its existing major customers are from media agency, customers from medical and communications industry and would choose the large-screen advertising space for their advertising campaigns. The Group will continue to pursue development in the following 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 six months ended 31 December 2018, the Group's advertising business in HK & PRC reported a 46.9% decrease in revenue to approximately HK\$8,414,000 from approximately HK\$17,958,000 in the corresponding period in 2017.

## **Television advertisement business in HK**

Due to challenging and competitive operating environment in the HK, the Group has scaled down the investment in this sector in order to allocate more resources on other major sectors and explore new business opportunities. There is a HK\$2,000,000 revenue reported during the six months ended 31 December 2018 (2017: Nil).

## **Event management and marketing services in Hong Kong & PRC**

The Group commenced event management and marketing services business in Hong Kong in October 2016 which is now one of the sources of income of the Group. During the six months ended 31 December 2018, the Group provided services to exhibitors and organizers in numerous events. The Group would provide tailor-made and customized services for clients according to their specific needs for event promotion, event organization and event arrangement. During the six months ended 31 December 2018, the Group's event management services business in Hong Kong reported revenue amounting to approximately HK\$7,161,000, representing approximately 3.3 times increase from approximately HK\$2,161,000 in the corresponding period in 2017.

## **Other business**

In line with the Group's objective to explore other potential investment opportunities so as to supplement the existing businesses of the Group for enhancing the shareholders' value, the Group has successfully obtained a Money Lenders Licence in November 2018 and will commence business when as appropriate.

Looking forward, the Group will focus on its existing businesses and will keep looking for any other business opportunities for new possible potential investment to improve the overall performance of the Group and improve the Company's shareholders' return.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the net current liabilities of the Group were approximately HK\$66,431,000 (30 June 2018: approximately HK\$174,478,000). Out of the current assets as at 31 December 2018, approximately HK\$3,595,000 (30 June 2018: approximately HK\$4,883,000) were cash and cash equivalents. The current ratio of the Group as at 31 December 2018 was approximately 0.36 times (30 June 2018: approximately 0.13 times). As at 31 December 2018, the Group has borrowings of HK\$15,650,000 (30 June 2018: HK\$10,500,000) and other debts of convertible bonds of approximately HK\$145,801,000 (30 June 2018: approximately HK\$118,800,000). The net debt (i.e. total short-term borrowings and other debt less cash and cash equivalent) as at 31 December 2018 was approximately HK\$245,492,000 (30 June 2018: approximately HK\$196,809,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 31 December 2018 was nil (30 June 2018: Nil).

The Group did not have any stand-by banking facilities as at 31 December 2018 and 30 June 2018.

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK\$3,595,000 (30 June 2018: approximately HK\$4,883,000) which are mainly denominated in Hong Kong dollars and 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 report, the Group has no material capital expenditure commitments as at 31 December 2018.

## DIVIDEND

The Directors did not recommend the payment of a dividend for the six months ended 31 December 2018 (2017: Nil).

## CAPITAL STRUCTURE

As at 31 December 2018, the Company's issued share capital was HK\$10,529,490.99 and the number of its issued ordinary shares was 1,052,949,099 shares of HK\$0.01 each ("Shares").

## CONVERTIBLE BONDS

On 7 November 2016, the Company issued zero-coupon convertible bonds with principal amount of HK\$60,500,000 due in November 2018 with conversion price of HK\$0.10 per conversion share to Profit Eagle Limited. The maturity date is the date falling on the 24 months of the date of issue of the convertible bonds. As at 31 December 2018, such convertible bonds in the aggregate principal amount of HK\$60,000,000 remains outstanding.

On 19 October 2018, 600,000,000 Conversion Shares which may issue on exercise of the conversion rights attached to the CB1 under the Extension Deed was approved by independent shareholders by way of poll at the SGM held on 17 December 2018. The Extension Deed in respect of the CB1 and the transactions contemplated thereunder and the grant of the Specific Mandate for another two years up to 6 November 2020.

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

On 14 November 2018 the Company entered into of the MOU between the Purchaser and the Vendors, in relation to the Acquisition, and on 10 January 2019, the Purchaser and the Vendors entered into the Sale and Purchase Agreement, pursuant to which, the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell, the Sale Shares for a total consideration of HK\$6,120,000, representing 51% of the total equity interest of the Target. At Completion, the Company shall, and the Purchaser shall procure the Company to, allot and issue 25,175,000 new Shares at the Issue Price out of the General Mandate and free from any encumbrance whatsoever to and in favour of the Vendors for full and final settlement and discharge of the Consideration.

## **CHARGES OF ASSETS**

The Company did not charge any of its assets as securities for any facilities granted to the Group as at 31 December 2018.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 December 2018.

## **FOREIGN CURRENCY EXCHANGE RISK**

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

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

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 31 December 2018, 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 Group entities functional currencies which are mainly HK\$ or RMB.

As at 31 December 2018, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2018, 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.

## **EMPLOYEES**

The number of employees (including Directors) was 75 as at 31 December 2018 (2017: 55), and the total staff costs (including Directors' remuneration) for the six months ended 31 December 2018 was approximately HK\$4,867,000 (2017: approximately HK\$5,308,000). Other benefits provided by the Group to the employees include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

## **SHARE OPTION SCHEMES**

The Company's share option scheme which was adopted on 5 July 2002 ("Old Scheme") has 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 annual general meeting of the Company 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 31 December 2018.

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.

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 follows:

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 New Scheme 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 New Scheme. 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 New Scheme 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 3 November 2017 at the annual general meeting. Based on 997,949,099 shares of the Company in issue as at 3 November 2017, 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 New Scheme or any other share option schemes of the Company must not, in aggregate, exceed 99,794,909 Shares, being 10% of the shares in issue as at 3 November 2017. The Company has not granted any options under the New Scheme since its adoption.

As at 31 December 2018, (i) there were 2,927 options granted and outstanding under the Old Scheme representing approximately 0.0003% of the total number of shares of the Company in issue as at 31 December 2018; and (ii) the Company was allowed to grant options up to 99,794,909 Shares under the New Scheme after the refreshment on 3 November 2017.

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 total number of shares of the Company in issue from time to time.

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 six months ended 31 December 2018, were as follows:

	Date of grant	Number of share options				Outstanding as at 31 December 2018	Option period	Exercise price per share
		Outstanding as at 1 July 2018	Granted during the period	Exercised during the period	Lapsed during the period			
Former directors, senior management, other employees and consultants	9 September 2008	995	-	-	(995)	-	9 September 2008 to 8 September 2018	HK\$5,396.95
	11 September 2008	709	-	-	(709)	-	11 September 2008 to 10 September 2018	HK\$6,047.30
	16 December 2008	709	-	-	(709)	-	16 December 2008 to 15 December 2018	HK\$2,363.50
	17 February 2009	386	-	-	-	386	17 February 2009 to 16 February 2019	HK\$3,070.90
	29 May 2009	386	-	-	-	386	29 May 2009 to 28 May 2019	HK\$2,728.60
	31 December 2009	220	-	-	-	220	31 December 2009 to 30 December 2019	HK\$1,395.30
	15 January 2010	1,935	-	-	-	1,935	15 January 2010 to 14 January 2020	HK\$2,264.05
<b>Total</b>		<b>5,340</b>	<b>-</b>	<b>-</b>	<b>(2,413)</b>	<b>2,927</b>		



## **DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in the 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES**

As at 31 December 2018, 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	Number of underlying shares interested (Note 2)	Total number of shares and underlying shares interested	Approximately percentage of shareholding
Wealthy ELM Limited (Note 1)	Beneficial owner	250,000,000	600,000,000	850,000,000	51.42%
Pu Haiyong (Note 1)	Beneficial owner	250,000,000	600,000,000	850,000,000	51.42%

### Notes:

1. Wealthy ELM Limited is wholly-owned by Mr. Pu Haiyong and, therefore, Mr. Pu is deemed to be interested in the 850,000,000 shares and underlying shares held by Wealthy ELM Limited.
2. These shares may be allotted and issued upon exercise of the conversion rights attached to the convertible bonds issued by the Company.

Save as disclosed above, as at 31 December 2018, 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.

## **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 six months ended 31 December 2018 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2018.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during six months ended 31 December 2018.

## **DIRECTORS' INTEREST IN COMPETING INTERESTS**

During the six months ended 31 December 2018, as far as the Directors are aware of, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has any interest in any business which competes or may compete, directly or indirectly, with the business of the Group, or have any other conflict of interests with the Group.

## **MANAGEMENT CONTRACTS**

As at 31 December 2018, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (“Securities Code”). During the six months ended 31 December 2018, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Securities Code.

### LITIGATION

- (a) On 31 August 2010, a writ of summons was issued by Mr. Lim Yi Shenn as the plaintiff (“Plaintiff”) against Ms. Wong Yuen Yee, an ex-director of the Company, Mr. Wong Yao Wing, Robert, an ex-director of the Company and the Company (collectively “Defendants”). The Plaintiff claimed against each of the Defendants for damages for various misrepresentations allegedly made by the Defendants in relation to certain investment agreement and placing agreement of April and June 2008. The Plaintiff has filed a statement of claim setting out the particulars of his claims against the Defendants and claiming damages for misrepresentation in the amount of approximately HK\$15,838,000 and/or, alternatively, the return of a sum of HK\$10,000,000 by the Defendants based upon an alleged admission of liability made by the Defendants. The Defendants denied the Plaintiff’s claims and 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 Judgment on 4 March 2015, and his appeal was heard on 12 July 2016 with Judgment reserved. On 7th September 2016 the Court of Appeal handed down its Judgment dismissing the Plaintiff’s Appeal with costs.

The prescribed time for the Plaintiff to seek leave to appeal to the Court of Final Appeal has expired and the Plaintiff made no application for leave to appeal to the Court of Final Appeal. The Defendants have recovered all their costs incurred at the Court of First Instance level and the Court of Appeal level from the Plaintiff.

The Directors consider that the matters have been concluded as the Plaintiff's claims have been finally dismissed by the Court of Appeal and the Defendants have recovered all costs incurred in the above action and Appeal. On 25 January 2017 the Plaintiff lately brought his claim for costs of certain interlocutory applications in the above action in the aggregate sum of approximately HK\$737,000 and commenced taxation proceedings. The Defendants and the Plaintiff finally came to a lump sum settlement on such costs claim by two (2) instalment payments and the Defendants had effected the 1st instalment payment to the Plaintiff. The last instalment payment of the lump sum settlement will fall due on 21st January 2018. Upon payment of the last instalment of the lump sum settlement, all outstanding matters of these proceedings would be settled and disposed of.

- (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 of 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.

- (c) On 30 January 2015, the Securities and Futures Commission ("the Petitioner") presented a Petition to the High Court pursuant to section 214 of the Securities and Future Ordinance, Cap. 571 of the laws of Hong Kong ("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") ("the Petition Proceedings"). It is the Petitioner's complaints that the Ex-Directors had conducted the business or affairs of the Company in a manner involving misfeasance or misconduct towards 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 damages for loss and damage 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.

Pursuant to an Order of the High Court, the Company commenced civil proceedings against the Ex-Directors on 10 March 2015 (“the Writ Action”). However, since the Petition Proceedings and the Writ Action arose out of the same facts and the determination of the factual issues in the Petition Proceedings will have a bearing on the scope of the issues in dispute in the Writ Action, the parties in the Writ Action jointly applied to the Court on 13 November 2017 for a stay of the Writ Action pending the final determination of the Petition Proceedings (“the Joint Application”). The Company will file an affirmation in support of the Joint Application and wait for the Court’s directions in respect thereof.

Upon the Company bringing in its name civil proceedings against the Ex-Directors to seek recovery of compensation or damages for loss and damage suffered by the Company as a result of their misfeasance or misconduct or unfairly prejudicial conduct in the Writ Action, such relief was deleted by the Petitioner by filing an amended petition on 29 December 2016 in the Petition Proceedings.

The Petition Proceedings is currently listed for hearing on 12 April 2018 for further directions.

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

Save as discussed above, during the six months ended 31 December 2018, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## AUDIT COMMITTEE

The audit committee of the Board (“AC”) was set up on 5 July 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the AC are to review and supervise the financial reporting system, risk management and internal control system of the Group. As at the date of this interim report, the AC comprises of three members, namely Mr. Samuel Wong, Mr. Tse Yuen Ming and Mr. Tsang Chun Kit, all being independent non-executive Directors. The AC is chaired by Mr. Tsang Chun Kit. The unaudited condensed consolidated financial statements for the six months ended 31 December 2018 have been reviewed by the AC, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made.

## REMUNERATION COMMITTEE

A remuneration committee of the Board (“RC”) was set up in July 2008 with written terms of reference to oversee the RC policy and structure for all Directors and senior management. As of the date of this interim report, the RC comprised three members, namely Ms. Ma Muyuan, being an executive Director, Mr. Samuel Wong and Mr. Tsang Chun Kit, both being independent non-executive Directors. The RC is chaired by Mr. Samuel Wong. The roles of the RC are to recommend to the Board the policy and structure for the remuneration of all Directors and senior management and to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management with reference to the Board’s 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.

## NOMINATION COMMITTEE

The nomination committee of the Board (“NC”) was set up on 18 January 2012 with written terms of references to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy. As of the date of this interim report, the NC comprised of five members, namely Ms. Ma Muyuan and Dr. Chan Yiu Wing, all being an executive Director, Mr. Samuel Wong, Mr. Tse Yuen Ming and Mr. Tsang Chun Kit, all being independent non-executive Directors. The NC is chaired by Mr. Samuel Wong. The role and function of the NC include to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

## **CORPORATE GOVERNANCE PRACTICES**

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.

During the six months ended 31 December 2018, the Company has complied with most of the Code Provisions of the CG Code, except for the deviation described below.

Under code provision A.2.1 of the CG code, the roles of the chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company has appointed Mr. Pu Haiyong as chairman since 20 June 2018. The Company also has appointed Mr. Wang Yu as CEO since 16 August 2018 but he resigned on 1 February 2019. The Board would keep reviewing the current structure of the Board from time to time and is in the process of identifying a suitable candidates to be appointed as the chief executive officer and will make further announcement upon the appointment.

## **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.

During the quarter ended 31 December 2018, Elite Partners performed review and comment on the written policies, procedures and the internal control systems regarding subcontractor and contract management, fixed assets managements and human resources and payroll.



## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing rules, changes in Directors' information since the date of the Annual Report are set out below:

<b>Directors</b>	<b>Details of Changes</b>
Mr. Tsang Chun Kit	Appointed as an independent non-executive Director, chairman of the Audit Committee, a member of each of the Nomination Committee and Remuneration Committee on 7 January 2019.
Mr. Zheng Pin	Appointed as executive Director, deputy chairman of the Board on 1 February 2019.
Ms. Ma Muyuan	Appointed as executive Director, member of nomination committee and remuneration committee of the Board on 7 January 2019.
Mr. Wong Kam Fai	Appointed as an independent non-executive Director, chairman of the Nomination Committee and Remuneration Committee and member of the Audit Committee of the Board on 21 December 2018.

## PUBLICATION OF INFORMATION ON WEBSITES

This interim report is available for viewing on the website of Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.it-holdings.com.hk](http://www.it-holdings.com.hk).

By order of the Board  
**Chan Yiu Wing**  
*Executive Director*

Hong Kong, 12 February 2019

As at the date of this report, the Directors are:–

*Executive Directors:*

Mr. Pu Haiyong  
Mr. Zheng Pin  
Dr. Chan Yiu Wing  
Ms. Ma Muyuan  
Mr. Zhang Baocai

*Independent Non-Executive Directors:*

Mr. Wong Kam Fai  
Mr. Tse Yuen Ming  
Mr. Tsang Chun Kit