



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

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

Interim Report 2019/20

INNO-TECH HOLDINGS LIMITED
匯創控股有限公司

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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. Zheng Pin (*Chairman*)
Mr. Wong Kam Fai (*Chief executive officer*)
Dr. Chan Yiu Wing
Mr. Zhou Wenyu
(appointed on 3 December 2019)
Mr. Cao Xinhua[#]
Mr. Zhang Ronggang[#]
(appointed on 20 January 2020)
Mr. Tsang Ho Yin*
Mr. Yam Chun Yin*
Mr. Wong Shun Loy*
(appointed on 2 September 2019)

[#] Non-executive Directors
^{*} 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. Wong Shun Loy (*Chairman*)
Mr. Tsang Ho Yin
Mr. Yam Chun Yin

Nomination Committee

Mr. Tsang Ho Yin (*Chairman*)
Mr. Yam Chun Yin
Dr. Chan Yiu Wing
Mr. Wong Kam Fai
Mr. Wong Shun Loy

Remuneration Committee

Mr. Tsang Ho Yin (*Chairman*)
Mr. Yam Chun Yin
Mr. Wong Kam Fai
Mr. Wong Shun Loy

Head Office and Principal Place of Business

Unit No. 1015, Level 10, Tower 1,
Grand Century Place,
Mong Kok, Kowloon

Auditor

Pan-China (H.K.) 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 2019 amounted to approximately HK\$47,691,000 (2018: approximately HK\$18,000,000), representing an increase of approximately 1.7 times as compared to amount reported in the corresponding period in 2018.
- Profit attributable to owners of the Company for the six months ended 31 December 2019 amounted to approximately HK\$26,089,000 (2018: loss of approximately HK\$36,732,000).
- Basic earnings per share amounted to approximately HK\$0.023 for the six months ended 31 December 2019 (2018: basic loss per share HK\$0.035).
- The Board did not recommend the payment of a dividend for the six months ended 31 December 2019.

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 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follow:

Condensed Consolidated Statement of Profit or Loss

	Notes	Unaudited For the three months ended 31 December		Unaudited For the six months ended 31 December	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations					
Revenue	3	19,357	11,568	47,691	18,000
Cost of sales		(15,052)	(12,537)	(38,563)	(18,337)
Gross profit/(loss)		4,305	(969)	9,128	(337)
Other revenue and net income		0	5	0	5
Marketing and promotion expenses		(190)	(190)	(190)	(279)
Administrative expenses		(3,892)	(7,351)	(6,214)	(9,923)
Impairment in expected credit loss		(14,491)	–	(14,491)	–
Finance costs		(149)	–	(399)	(15)
Loss on fair value change in trading securities		–	–	0	(2)
Fair value loss on convertible bonds*		(2,488)	(429,381)	(2,488)	(26,181)
Loss before income tax	4	(16,905)	(437,886)	(14,654)	(36,732)
Income tax	5	(18)	–	(399)	–
Loss for the period from continuing operations		(16,923)	(437,886)	(15,053)	(36,732)

	Notes	Unaudited For the three months ended 31 December		Unaudited For the six months ended 31 December	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Discontinued operations					
Profit/(loss) for the period from discontinued operations	16	43,471	–	43,471	–
Profit/(Loss) for the period		26,548	(437,886)	28,418	(36,732)
Profit/(Loss) for the period attributable to:					
Owners of the Company		24,219	(437,886)	26,089	(36,732)
Non-controlling interest		2,329	–	2,329	–
		26,548	(437,886)	28,418	(36,732)
Earnings/(Loss) per share attributable to the owners of the Company					
From continuing and discontinued operations	6				
— Basic (HK\$ per share)		0.021	(0.416)	0.023	(0.035)
— Diluted (HK\$ per share)		0.014	(0.265)	0.016	(0.022)
From continuing operations					
— Basic (HK\$ per share)		(0.017)	(0.416)	(0.015)	(0.035)
— Diluted (HK\$ per share)		(0.011)	(0.265)	(0.010)	(0.022)

* According to valuation report of Roma Appraisal Limited and International Valuation Limited.

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

	Unaudited For the three months ended 31 December		Unaudited For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Profit/(Loss) for the period	26,548	(437,886)	28,418	(36,732)
Other comprehensive income/(loss)				
Exchange difference arising on translation of financial statements of overseas subsidiaries	452	(562)	452	(562)
Total comprehensive income/(loss) for the period	27,000	(438,448)	28,870	(37,294)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	24,450	(438,448)	26,320	(37,294)
Non-controlling interests	2,550	–	2,550	–
	27,000	(438,448)	28,870	(37,294)
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:				
— Continuing operations	(16,471)	(438,448)	(14,601)	(37,294)
— Discontinued operations	43,471	–	43,471	–
	27,000	(438,448)	28,870	(37,294)

Condensed Consolidated Statement of Financial Position

		Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	1,492	1,817
Goodwill		6,905	6,905
		8,397	8,722
Current assets			
Financial assets at fair value through profit or loss	9	21	21
Accounts receivable	10	51,943	23,722
Loan receivables		395	63
Prepayments, deposits and other receivables	11	9,249	14,401
Tax recoverable		66	113
Cash and cash equivalents		863	1,580
		62,537	39,900
Current liabilities			
Accounts payable, accrued expenses and other payables	12	63,269	93,891
Borrowings		20,530	17,900
Convertible bonds	13	50,378	–
Tax payable		16,543	16,327
		150,720	128,118
Net current liabilities		(88,183)	(88,218)
Total assets less current liabilities		(79,786)	(79,496)

	Notes	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Non-current liabilities			
Convertible bonds	13	0	47,890
		0	47,890
Net liabilities		(79,786)	(127,386)
Equity			
Share capital	14	11,281	11,281
Reserves		(88,517)	(136,928)
Equity attributable to owners of the Company		(77,236)	(125,647)
Non-controlling interests		(2,550)	(1,739)
Total equity		(79,786)	(127,386)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	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 reserve HK\$'000	Accumulated loss HK\$'000	Sub- Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 July 2018 (audited)	10,529	1,542,989	15,495	146,598	43	279	(743)	(1,889,422)	(174,232)	0	(174,232)
Initial application of HKFRS 9								(4,790)	(4,790)		(4,790)
(as restated) Balance at 1 July 2018 (audited)	10,529	1,542,989	15,495	146,598	43	279	(743)	(1,894,212)	(179,022)	0	(179,022)
Loss for the period	0	0	0	0		0		(36,732)	(36,732)		(36,732)
Exchange difference on translation of financial statement of overseas subsidiaries	0	0	0	0	0	(562)	0	0	(562)		(562)
Total comprehensive loss for the period	0	0	0	0	0	(562)	0	(36,732)	(37,294)	0	(37,294)
At 31 December 2018 (unaudited)	10,529	1,542,989	15,495	146,598	43	(283)	(743)	(1,930,944)	(216,316)	0	(216,316)
Balance at 1 July 2019 (audited)	11,281	1,554,790	3,451	146,598	43	906	(743)	(1,841,973)	(125,647)	(1,739)	(127,386)
Profit/(loss) for the period	0	0	0	0	0	3,740	743	43,255	47,738	(590)	47,148
Exchange difference on translation of financial statement of overseas subsidiaries	0	0	0	0	0	673	0	0	673	(221)	452
Total comprehensive profit/(loss) for the period	0	0	0	0	0	4,413	743	43,255	48,411	(811)	47,600
As 31 December 2019 (unaudited)	11,281	1,554,790	3,451	146,598	43	5,319	0	(1,798,718)	(77,236)	(2,550)	(79,786)

Condensed Consolidated Statement of Cash Flows

	Unaudited For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Net cash used in operating activities	(3,799)	(681)
Net cash used in investing activities	–	(592)
Net cash (used in)/generated from financing activities	2,630	(15)
Decrease in cash and cash equivalents	(1,169)	(1,288)
Cash and cash equivalents at the beginning of the period	1,580	4,883
Effect of foreign exchange rate change	452	–
Cash and cash equivalent at the end of the period	863	3,595
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	863	3,595

Notes:

1. BASIS OF PREPARATION OF ACCOUNTS

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2019 (“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 2019, 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 2019 (the “Annual Report”).

As at 31 December 2019, the Group had net debt (i.e. total borrowings and convertible bonds less cash and cash equivalent) of approximately HK\$70,908,000 (30 June 2019: approximately HK\$65,790,000).

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.

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, 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.

The Interim Financial Statements are unaudited but have been reviewed by the Company's audit committee.

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, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the Interim Financial Statements.

In the current period, the Group has applied all new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2019. The adopted HKFRSs are consistent with those of the previous financial year and corresponding interim reporting period, except for the application of HKFRS 16 "Leases" which is effective for the Group's annual periods beginning on or after 1 January 2019.

Impact on adoption of HKFRS 16

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 superseded HKAS 17 Leases and the related interpretations when it becomes effective. HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of use assets and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use assets is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for lease and interest payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, upon application of HKFRS 16, lease payments in relation to lease liability have been allocated into a principal and an interest portion which is presented as financing cash flows by the Group.

Upon the application of HKFRS 16, the Group recognised a right-of-use assets and a corresponding liability in respect of all these leases amounted to approximately HK\$1,824,000 and HK\$1,166,000, respectively, except those qualified for low value or short term leases.

Except for HKFRS 16, 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 income from the outdoor advertising: advertising on shared paper towel, billboard, bus & bus stations and sales and distribution of seafood in the People's Republic of China ("PRC"), televisions advertising and event management and marketing services, interest income from money lending in Hong Kong. The amount of revenue recognised during the year is as follow:

	Unaudited For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Revenue from contract with customers		
Outdoor advertising, advertising on shared paper towel	22,677	-
Outdoor advertising, advertising on billboard	-	4,200
Outdoor advertising, advertising on bus & bus stations	-	4,214
Sales and distribution of seafood	17,257	-
Television advertisement	-	2,000
Event management and marketing services	7,425	7,161
Interest income from money lending	332	425
	47,691	18,000

4. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Unaudited For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Finance cost		
Borrowing interests	399	15
Staff cost	2,281	4,867
Depreciation on owned assets	325	132
Operating lease charge in respect of office premises	705	1,300

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	
	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong Profit Tax	339	–
PRC Enterprise Income Tax	60	–
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 (2018: 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	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Profit/(Loss) attributable to owners of the Company (Basic)	24,219	(437,886)	26,089	(36,732)
Adjustment: Fair value (gain)/loss on convertible bonds	2,488	429,381	2,488	26,181
Profit/(Loss) attributable to owners of the Company (dilutive)	26,707	(8,505)	28,577	(10,551)

Weighted average number of ordinary shares

	Three months ended 31 December		Six months ended 31 December	
	2019 '000	2018 '000	2019 '000	2018 '000
Weighted average number of ordinary shares for the period (for basic earnings/(loss) per share)	1,128,124	1,052,949	1,128,124	1,052,949
Effect of assumed conversion of convertible bonds	550,000	600,000	550,000	600,000
Weighted average number of ordinary shares for the period (for dilutive earnings/(loss) per share)	1,678,124	1,652,949	1,678,124	1,652,949

Diluted earnings/(loss) per share for the period is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares. The Company has two (six months ended 31 December 2018: two) categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds did not give rise to any dilution effect to the earnings per share because the conversion price was higher than the average market price of the Company's shares for the period.

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic earnings/(loss) per share calculation for the current and prior periods, the conversion of the potential dilutive shares is not assumed in the computation of diluted earnings/(loss) per share.

As for the Company's share option, as the exercise prices were higher than the average market price for the periods, it is also considered as anti-dilutive. Therefore the basic and diluted earnings/(loss) per share for the respective periods are equal.

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) Sales and distribution of seafood: sales and distribution of seafood in Hong Kong and the PRC
- (2) Outdoor advertising: Advertising operations on shared paper towel, billboard and, bus and bus stations in the PRC
- (3) Television advertising: television advertising in PRC
- (4) Event management services: event management and market services in Hong Kong and the PRC
- (5) Money lending: provision of money lending service in Hong Kong

(a) **Business segments**

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

	Unaudited For the six months ended 31 December 2019				
	Advertising on shared paper towel HK\$'000	management and marketing services HK\$'000	Sales and distribution of seafood HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment revenue					
Revenue from external customers	22,677	7,425	17,257	332	47,691
Reportable segment loss					
Segment profit	3,247	1,657	1,374	317	6,595
Less: Impairment in expected credit loss	(6,586)	(4,464)	(2,787)	(654)	(14,491)
	(3,339)	(2,807)	(1,413)	(337)	(7,896)
Depreciation and amortisation	226	7	-	2	235
Reportable segment assets	30,018	10,921	23,077	5,251	69,267
Reportable segment liabilities	21,591	10,849	22,205	2	54,647
	Unaudited For the six months ended 31 December 2018				
	Advertising on bus & bus stations and billboard HK\$'000	Television advertisements HK\$'000	Event management services HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment revenue					
Revenue from external customers	8,414	2,000	7,161	425	18,000
Reportable segment loss	(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

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

	Unaudited For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Revenue		
Total reportable segment revenues	47,691	18,000

	Unaudited For the six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Loss before income tax		
Reportable segment (loss)	(7,896)	(5,365)
Other revenue and net income	–	5
Finance costs	(399)	(15)
Loss on repayment of promissory notes	–	–
Loss on repayment of borrowings	–	–
Fair value (loss) on convertible bonds	(2,488)	(26,181)
Unallocated head office and corporate expenses	(3,871)	(5,176)
	(14,654)	(36,732)

	Unaudited	
	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Total assets		
Total reportable segment assets	69,267	36,179
Financial assets at fair value through profit or loss	21	19
Unallocated corporate assets	1,646	1,363
	70,934	37,561

	Unaudited	
	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Total liabilities		
Total reportable segment liabilities	54,647	80,462
Borrowings	20,530	10,000
Unallocated corporate liabilities	25,165	12,824
Convertible bonds	50,378	145,801
	150,720	249,087

(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.

	Unaudited	
	For the six month ended 31 December 2019 HK\$'000	31 December 2018 HK\$'000
Revenue from external customers		
Hong Kong	8,088	6,425
The PRC	39,603	11,575
	47,691	18,000

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

	Unaudited	
	For the six month ended 31 December 2019 HK\$'000	31 December 2018 HK\$'000
Non-current assets		
Hong Kong	413	598
The PRC	7,984	108
	8,397	706

(d) **Information about major customers**

For the six months ended 31 December 2019, there were 14 customers (30 June 2019: 3) from outdoor advertising segment and sales and distribution of seafood segment accounted for 83.7% (30 June 2019: 14.0%), approximately HK\$39,934,000 (30 June 2019: HK\$8,414,000) of total revenue of the Group.

8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Net book value as at 1 July	1,817	246
Additions	–	1,853
Depreciation	(325)	(282)
Net book value as at 31 December	1,492	1,817

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Listed securities:		
— Equity securities listed in Hong Kong	21	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. ACCOUNTS RECEIVABLE

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Trade debtors	66,434	37,559
Less: allowance for doubtful debts	(14,491)	(13,837)
	51,943	23,722

The ageing analysis of accounts receivable is as follows:

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Current	19,357	–
Less than 1 months past due	8,864	1,788
1 to 3 months past due	1,788	17,358
Over 3 months past due	21,934	4,576
	51,943	23,722

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

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Past due but not impaired:		
— Less than 3 months past due	10,652	19,146
— Over 3 months past due	21,934	4,576
	32,586	23,722

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Prepayments	4,131	4,131
Rental and utility deposits	412	784
Other deposits	2,975	2,975
Other receivables	1,731	6,511
At the end of period/year	9,249	14,401

12. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLE

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Accounts payable	44,859	65,014
Accrued expenses and other payable	18,410	28,877
Receipts in advance	–	–
	63,269	93,891

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

	Unaudited As at 31 December 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Less than 1 month	14,518	–
1 to 3 months	13,891	23,990
3 to 6 months	16,450	3,065
6 months to 9 months	–	7,850
9 months to 1 year	–	–
Over 1 year	–	30,109
	44,859	65,014

13. CONVERTIBLE BONDS

On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$60.50 million (the "CB") due in November 2018 with conversion price of HK\$0.10 per conversion share to Profit Eagle Limited. The CB does not bear any interest. The maturity date is the date falling on the 24 months of the date of issue of the CB. On 13 June 2018 the CB was partially converted as to HK\$500,000 and 5,000,000 Conversion Shares were issued and on 1 March 2019, the CB as to HK\$5,000,000 and 50,000,000 Conversion Shares were issued and the amount of HK\$55.0 million (CB) remains outstanding.

On 19 October 2018, the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding CB for two years from 6 November 2018 to the New Maturity Date of 6 November 2020 (i.e. the Alteration). Save for the Alteration, all other terms and conditions of the outstanding CB shall remain unchanged. The Extension Deed was approved by independent shareholders by way of poll at the SGM held on 17 December 2018 and the transactions contemplated thereunder (including the exercise of the conversion rights of the CB) the grant of the Specific Mandate became effective for another two years up to 6 November 2020. On 29 March 2019, the 550,000,000 shares held by Wealthy ELM Limited, which is wholly owned by Mr. Pu Haiyong may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company, was transferred to Great Panorama International Limited ("Great Panorama"). Based on the notices of disclosure of interest filed by High Rhine Limited ("High Rhine"), Co-Lead Holdings Limited ("Co-Lead"), Freewill Holdings Limited ("Freewill Holdings") and Bob May Incorporated ("Bob May") on 3 October 2019, Great Panorama is wholly-owned by High Rhine which is in turn indirectly wholly-owned by Co-Lead. Co-Lead is 52.3% directly owned by Freewill Holdings and Freewill Holdings is 83.7% directly owned by Bob May. By virtues of the SFO, High Rhine, Co-Lead, Freewill Holdings and Bob May are deemed to be interested in the underlying Shares held by Great Panorama.

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

Outstanding principal amount	HK\$55,000,000
Interest rate	Interest free
Maturity date	the day last preceding the fourth anniversary of the date of the issue of the CB (i.e. 6 November 2020)
Conversion period	Any time until the maturity date of the CB
Conversion Price	HK\$0.10 per Conversion Share

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

	For the six months ended	
	2019	2018
	HK\$'000	HK\$'000
At 1 July	47,890	118,800
Fair value re-measurement at the end of reporting period	2,488	27,001
At 31 December	50,378	145,801
	At	As at
	31 December	31 December
	2019	2018
Analysed for reporting purpose as:		
— Current portion	50,378	—
— Non-current portion	—	145,801

During the six months ended 31 December 2019, the loss of HK\$2,488,000 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
Authorised			
At 30 June 2019, 1 July 2019 and 31 December 2019	0.01	30,000,000,000	300,000
Issued and fully paid			
At 30 June 2019, 1 July 2019 (audited)	0.01	1,128,124,099	11,281
At 31 December 2019 (unaudited)	0.01	1,128,124,099	11,281

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 2019 HK\$'000	Audited As at 30 June 2019 HK\$'000
Within 1 year	762	1,443
Over 1 year but within 5 years	404	762
	1,166	2,205

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

16. DISCONTINUED OPERATIONS

On 13 December 2019, the Company entered into a sale and purchase agreement to dispose of its entire interest of Active Link Investments Limited and its subsidiaries (the "Disposal Group") at a total consideration of HK\$500,000. The Disposal Group was principally engaged in provision of design, production and publication of outdoor advertising on over 2,000 single-decker buses, 12 double-decker buses and over 2,000 bus stations operated by a bus company in Shijiazhuang, the PRC. However, it maintained minimal operation with no substantial business subsequent to December 2018.

The disposal was completed on 13 December 2019, on which date the Disposal Group has ceased to be subsidiaries of the Company and the Company has ceased to have any interest in the Disposal Group. The Group's outdoor advertising business is treated as discontinued operation. The loss from the discontinued operation for the current and preceding interim periods is analysed as follows:

	Unaudited Six months ended 31 December 2019 HK\$'000	31 December 2018 HK\$'000
Loss of outdoor advertising business for the period	(454)	(2,595)
	(454)	(2,595)

The results of the Discontinued business for the current and preceding interim periods were as follows:

	Unaudited Six months ended	
	31 December 2019 HK\$'000	31 December 2018 HK\$'000
Revenue	–	4,214
Cost of income	–	(5,751)
Gross loss	–	(1,537)
Administrative expenses	(454)	(1,058)
Loss before tax	(454)	(2,595)
Income tax expenses	–	–
Loss for the period	(454)	(2,595)

The net assets of Disposal Group at the date of disposal were as follows:

	HK\$'000
Net liabilities disposed of	41,707
Waiver of the inter-company loan	1,884
Gain on disposal	43,591
Transaction costs	(380)
Total consideration	500
Satisfied by:	
Cash (net of transaction costs)	43,471
Net cash inflow arising on disposal:	
Total cash consideration received	500
Bank balances and cash disposed of	(81)
	419

	Unaudited Six months ended	
	31 December 2019 HK\$'000	31 December 2018 HK\$'000
Net cash flows (used in) from operating activities	(81)	2,619
Net cash flows from investing activities	–	–
Net cash flows from financing activities	500	–
Net cash flows	419	2,619

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 31 December 2019, the Group's unaudited consolidated revenue amounted to approximately HK\$47,691,000 (2018: approximately HK\$18,000,000).

The Group recorded a profit for the period attributable to the owners of the Company of approximately HK\$26,089,000 for the six months ended 31 December 2019 (2018: loss of approximately HK\$36,732,000). Such changes for the six months ended 31 December 2019 was mainly due to (1) the disposal of subsidiary, resulting a gain on discontinued operations of HK\$43,471,000 and (2) the substantial decrease in fair value loss of convertible bonds from HK\$26,181,000 for the six months ended 31 December 2018 to HK\$2,488,000 for the six months ended 31 December 2019.

Basic earnings per share for the six months ended 31 December 2019 was approximately HK\$0.023 (2018: basic loss per share of approximately HK\$0.035).

Outdoor Advertising

The Group continues to focus on the business operations of having outdoor advertising through different advertising media network under the Tissue Ad Business and Shantou Ad Business. At present, the Group concentrates its efforts in the development of the Tissue Ad Business, which the Group considers to have good profit potential, while trying to capture any business opportunity in external walls and billboards advertising, which involve minimal management efforts but generate safe, steady income, becoming the key revenue generator of the Outdoor Ad Businesses. However, the Group will keep an open mind for other advertising business opportunities if it requires minimal management involvement and efforts and enables generating additional profits to the Company and its shareholders.

The Group will continue to pursue business development in the following ways:

- Placing the advertisements for its advertising customers on the packages of the tissue and the Devices;
- The recruitment of followers for the advertising customers' social media accounts;
- Expands the advertising network and 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 2019, the Group's advertising on shared paper towel business reported a 1.5 times increase in revenue to HK\$22,677,000 from HK\$9,215,000 in the year ended 30 June 2019.

Sales and Distribution of Seafood Business in Hong Kong & the PRC

The Group commenced sales and distribution of seafood on 25 February 2019 through the supply of seafood from Kappa Food Trading Limited (萬凱食品貿易有限公司) sourced from the Pacific Ocean, mainly live clams and lobsters, to Vanward International Seafood Company Limited (萬和國際海產有限公司, "Vanward"), a subsidiary of the Company, on a regular and steady basis for distribution to the customers and sub-distributors of Vanward.

During the six months ended 31 December 2019, the Group's sales and distribution of seafood business in Hong Kong & the PRC reported revenue amounting to approximately HK\$17,257,000 (2018: Nil).

Event management and marketing services in Hong Kong & the 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 2019, 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 2019, the Group's event management services business in Hong Kong reported revenue amounting to approximately HK\$7,425,000, representing approximately 3.7% increase from approximately HK\$7,161,000 in the corresponding period in 2018.

PROSPECTS

The board of directors of the Company (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 of the Company (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 Shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the net current liabilities of the Group were approximately HK\$88,183,000 (30 June 2019: approximately HK\$88,218,000). Out of the current assets as at 31 December 2019, approximately HK\$863,000 (30 June 2019: approximately HK\$1,580,000) were cash and cash equivalents. The current ratio of the Group as at 31 December 2019 was approximately 0.41 times (30 June 2019: approximately 0.31 times). As at 31 December 2019, the Group had borrowings of HK\$20,530,000 (30 June 2019: HK\$17,900,000) and convertible bonds of approximately HK\$50,378,000 (30 June 2019: approximately HK\$47,890,000). The net debt (i.e. total borrowings and convertible bonds less cash and cash equivalent) as at 31 December 2019 was approximately HK\$70,908,000 (30 June 2019: approximately HK\$65,790,000) and gearing ratio (i.e. net debt/total equity) as at 31 December 2019 was not applicable as the Group had negative total equity as of 31 December 2019 (30 June 2019: Not applicable).

The Group did not have any stand-by banking facilities as at 31 December 2019 and 30 June 2019.

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK\$863,000 (30 June 2019: approximately HK\$1,580,000) 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 report, the Group has no material capital expenditure commitments as at 31 December 2019.

DIVIDEND

The Directors did not recommend the payment of a dividend for the six months ended 31 December 2019 (2018: Nil).

CAPITAL STRUCTURE

As at 31 December 2019, the Company's issued share capital was approximately HK\$11,281,000 and the number of its issued ordinary shares was 1,128,124,099 shares of HK\$0.01 each ("Shares").

CONVERTIBLE BONDS

On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$60.50 million (the "CB") due in November 2019 with conversion price of HK\$0.10 per conversion share to Profit Eagle Limited. The CB does not bear any interest. The maturity date is the date falling on the 24 months of the date of issue of the CB. On 13 June 2018 the CB was partially converted as to HK\$500,000 and 5,000,000 Conversion Shares were issued and on 1 March 2019, the CB as to HK\$5,000,000 and 50,000,000 Conversion Shares were issued and the amount of HK\$55.0 million (CB) remains outstanding.

On 19 October 2018, the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding CB for two years from 6 November 2018 to the New Maturity Date of 6 November 2020 (i.e. the Alteration). Save for the Alteration, all other terms and conditions of the outstanding CB shall remain unchanged. The Extension Deed was approved by independent shareholders by way of poll at the SGM held on 17 December 2018 and the transactions contemplated thereunder (including the exercise of the conversion rights of the CB) the grant of the Specific Mandate became effective for another two years up to 6 November 2020. On 29 March 2019, the 550,000,000 shares held by Wealthy ELM Limited, which is wholly owned by Mr. Pu Haiyong may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company, was transferred to Great Panorama International Limited. Based on the notices of disclosure of interest filed by High Rhine, Co-Lead, Freewill Holdings and Bob May on 3 October 2019, Great Panorama is wholly-owned by High Rhine which is in turn indirectly wholly-owned by Co-Lead. Co-Lead is 52.3% directly owned by Freewill Holdings and Freewill Holdings is 83.7% directly owned by Bob May. By virtues of the SFO, High Rhine, Co-Lead, Freewill Holdings and Bob May are deemed to be interested in the underlying Shares held by Great Panorama.

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

Other than the disposal of the entire interest of Active link Investments Limited and its subsidiaries as mentioned in note 16 to the Interim Financial Statements, the Group had no other material acquisition or disposal during the six months ended 31 December 2019.

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 Company's shareholders' return.

CHARGES OF ASSETS

As at 18 December 2019, pursuant to a loan agreement in respect of revolving loan facility of HK\$6,000,000 (the "Loan Facility"), of which Planetree Finance Limited agreed to grant to the Company as borrower for a term of 3 months at the interest rate of 2% per month. The Loan Facility was secured by, inter alia, a debenture of all assets of the Company, a share charge over 51% shareholding of a non-wholly subsidiary of the Company (Vanward International Seafood Company Limited) and a joint and several guarantee by a director of the Company, Mr. Wong and another guarantor. It is proposed that all the loans shall be used for repayment of debts of the Company, including the petitioning creditors in the winding-up proceedings against the Company (HCCW 213/2019).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019.

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 2019, 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 2019, 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 2019, 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 2019 (30 June 2019: 76), and the total staff costs (including Directors' remuneration) for the six months ended 31 December 2019 was approximately HK\$2,281,000 (year ended 30 June 2019: approximately HK\$6,673,000). 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 2019.

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 2019, (i) there were 1,935 options granted and outstanding under the Old Scheme representing approximately 0.0002% of the total number of shares of the Company in issue as at 31 December 2019; 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 2019, were as follows:

	Date of grant	Number of share options					Option period	Exercise price per share
		Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding		
		as at 1 July 2019				as at 31 December 2019		
Former directors, senior management, other employees and consultants	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
Total		2,155	-	-	(220)	1,935		

COMPLIANCE ADVISER'S INTEREST

As at 31 December 2019, except for the compliance adviser agreement entered into between the Company and Red Solar Capital Limited (being the Company's compliance adviser) dated 26 November 2019, neither Red Solar Capital Limited nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 2019, 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 2019, 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 (Note 1)
Great Panorama International Limited ("Great Panorama")	Beneficial owner	–	550,000,000 (note 3)	550,000,000	48.8%
High Rhine Limited ("High Rhine")	Interest in controlled corporation	–	550,000,000 (note 3)	550,000,000	48.8%
Co-Lead Holdings Limited ("Co-Lead")	Interest in controlled corporation	–	550,000,000 (note 3)	550,000,000	48.8%
Freewill Holdings Limited ("Freewill Holdings")	Interest in controlled corporation	–	550,000,000 (note 3)	550,000,000	48.8%
Bob May Incorporated ("Bob May")	Interest in controlled corporation	–	550,000,000 (note 3)	550,000,000	48.8%

Notes:

1. The approximately percentage of shareholding is calculated based on 1,128,124,099 Shares in issue as at 31 December 2019.
2. These Shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.
3. These 550,000,000 underlying Shares are held by Great Panorama. Based on the notices of disclosure of interest filed by High Rhine, Co-Lead, Freewill Holdings and Bob May on 3 October 2019, Great Panorama is wholly-owned by High Rhine which is in turn indirectly wholly-owned by Co-Lead. Co-Lead is 52.3% directly owned by Freewill Holdings and Freewill Holdings is 83.7% directly owned by Bob May. By virtues of the SFO, High Rhine, Co-Lead, Freewill Holdings and Bob May are deemed to be interested in the underlying Shares held by Great Panorama.

Save as disclosed above, as at 31 December 2019, 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 2019 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 2019.

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 2019.

DIRECTORS' INTEREST IN COMPETING INTERESTS

During the six months ended 31 December 2019, 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) had 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 2019, 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 2019, 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 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.

- (b) 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”) under action no. HCMP 241 of 2015 (“HCMP 241/2015”) 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 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 under action no. HCA 489 of 2015 (“HCA 489/2015”). 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”). On 13 February 2018, the Company further filed an affirmation in support of the Joint Application. The Company is waiting for the Court’s directions in respect of the Joint Application as of 31 March 2019. By a consent summon dated 21 June 2019, the Petition Proceedings was listed for hearing on 3 October 2019 by way of summary procedure. After the hearing, the case was closed as those Ex-directors were censured for breaching their obligations as Directors and were deemed not suitable to be appointed as director of any company listed or to be listed on the Exchange.

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 HCA 489/2015, such relief was deleted by the Petitioner by filing an amended petition on 29 December 2016 in HCMP 241/2015.

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.

- (c) On 12 July 2019, the Company received a statutory demand (the "Statutory Demand") 2019 No. 213 HCCW (hereinafter referred to as "HCCW 213/2019") dated 10 July 2019 issued by the legal representative of Grand Harbour Finance Limited ("Grand Harbour") demanding the Company to repay a principal sum of HK\$10,000,000 plus an annual interest of 6%. The Statutory Demand was issued pursuant to section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. On hearing a winding-up petition presented by Grand Harbour to the court on 4 September 2019, 9 October 2019 and 20 November 2019, the court adjourn the hearing unconditionally to make the grant of an order for withdrawal of the said petition to 29 January 2020 and on that date, due to the court was closed, the hearing was postponed until further notice, subsequent to the deed of settlement (the "Deed of Settlement") entered into between the Company and Grand Harbour on 3 September 2019. According to the Deed of Settlement, the Company has repaid the first, second and third installments totaling HK\$2,400,000 to Grand Harbour and the Company referred to the total amount owed and promised to repay the remaining HK\$7,600,000 plus interest by eleven monthly installments starting from February 2020 (the "Company's Commitment").

According to a petition (liquidation) of first instance in the High Court of the Hong Kong Special Administrative Region, as of October 9, 2019, ("HCCW 213/2019"), the Company owed the petitioner A. Plus Financial Press Limited HK the agreed amount totals HK\$1,800,000.00 (the "Total Amount") which composited of \$1,554,961.62, plus Hong Kong's attorney and other fees of HK\$215,038.38. In December 2019, the Company has repaid the first and second installments of a total amount of HK\$1,030,000 to the petitioner. The Company referred to the total amount and promised to repay the remaining HK\$770,000 by four installments month starting from February 2020 (the "Company's Commitment").



Having obtained and considered legal advice from legal Counsel, the Board formed the view and concluded that once the said petition has been withdrawn, section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap.32 of the Laws of Hong Kong would have no application at all and hence it is not necessary for a validation order to validate any transfer of shares and dispositions of properties (including the payment of settlement sums as provided by the Deed of Settlement) which takes place between the presentation of the said petition, and its withdrawal i.e. 9 October 2019 and the need for a validation order under section 178 of the Company (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32 of the Laws of Hong Kong falls away as there is no Winding Up Order made by the court in the proceedings at all.

- (d) Pursuant to the summons warrant issued by Elite Partners CPA Limited to the Company on December 24, 2019, the Company was required to issue another cheque in the amount of HK\$750,000.00 which was dishonoured on 8 November, 2019.

Save as discussed above, during the six months ended 31 December 2019, 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 systems of the Group. As of the date of this interim report, the AC comprises of three members, Mr. Wong Shun Loy, Mr. Tsang Ho Yin and Mr. Yam Chun Yin all being independent non-executive Directors. The AC is chaired by Mr. Wong Shun Loy. The unaudited condensed consolidated financial statements for the six months ended 31 December 2019 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 four members, namely Mr. Wong Kam Fai, being an executive Director, Mr. Tsang Ho Yin, Mr. Yam Chun Yin and Mr. Wong Shun Loy, both being independent non-executive Directors. The RC is chaired by Mr. Tsang Ho Yin. 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 Mr. Wong Kam Fai and Dr. Chan Yiu Wing, being executive Directors, Mr. Tsang Ho Yin, Mr. Yam Chun Yin and Mr. Wong Shun Loy, all being independent non-executive Directors. The NC is chaired by Mr. Tsang Ho Yin. The role and function of the NC including 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 2019, 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 re-appointed Mr. Zheng Pin as chairman since 5 November 2019. The Company also has redesigned Mr. Wong Kam Fai as CEO since 31 May 2019. The Board would keep reviewing the current structure of the Board from time to time.

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 2019, 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:

Directors	Details of Changes
Mr. Wong Shun Loy	Appointed as an independent non-executive Director of the Board on 2 September 2019.
Mr. Keung Kai Pong	Resigned as an executive Director of the Board on 1 November 2019.
Mr. Zheng Pin	Appointed as executive Director, deputy chairman of the Board on 1 February 2019 and re-appointed as executive Director, chairman of the Board on 5 November 2019.
Mr. Zhou Wenyu	Appointed as executive Director of the Board on 3 December 2019.
Mr. Zhang Ronggang	Appointed as a non-executive Director of the Board on 20 January 2020.

PUBLICATION OF INFORMATION ON WEBSITES

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

By order of the Board
Wong Kam Fai
Executive Director

Hong Kong, 14 February 2020

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

Executive Directors:

Mr. Zheng Pin (*Chairman*)
Mr. Wong Kam Fai (*Chief executive officer*)
Dr. Chan Yiu Wing
Mr. Zhou Wenyu

Independent Non-Executive Directors:

Mr. Tsang Ho Yin
Mr. Yam Chun Yin
Mr. Wong Shun Loy

Non-executive Director:

Mr. Cao Xinhua
Mr. Zhang Ronggang