INNO-TECH HOLDINGS LIMITED
匯創控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no matters the omission of which would make any statement herein or in this announcement misleading.

* *For identification purpose only*

HIGHLIGHTS

- The Group's revenue from continuing operations for the year ended 30 June 2018 amounted to approximately HK$33,272,000, a decrease of 31% from approximately HK$48,121,000 for the year ended 30 June 2017.

- Net gain attributable to owners of the Company amounted to HK$402,195,000 for the year ended 30 June 2018 compared to net loss of HK$959,816,000 for the year ended 30 June 2017.

- Basic and diluted earning/(loss) per share was HK$0.394 and HK$(0.023) for the year ended 30 June 2018 compared to basic and diluted loss per share was HK$2.01 for the year ended 30 June 2017.

- The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018.

The board of Directors (the "Board") of Inno-Tech Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2018, together with comparative figures for the year ended 30 June 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	*4*	**33,272**	48,121
Cost of sales		**(35,837)**	(46,029)
Gross (loss)/profit		**(2,565)**	2,092
Other income	*5*	**12,356**	2,618
Marketing and promotion expenses		**(1,139)**	(987)
Administrative expenses		**(30,384)**	(31,263)
Finance costs	*6*	**(392)**	(4,898)
Changes in fair value of financial assets at fair value through profit or loss		**(32)**	10
Extinguishment of repayment of promissory notes		**–**	(289,250)
Extinguishment of repayment of borrowings		**–**	(196,986)
Loss on issuance of convertible bonds		**–**	(101,088)
Gain/(loss) upon conversion of convertible bonds		**37,014**	(91,855)
Fair value gain/(loss) on convertible bonds		**403,200**	(242,315)
Impairment loss on investment deposits		**(15,000)**	–
Impairment loss on loan receivables		**–**	(6,000)
Profit/(loss) before income tax	*7*	**403,058**	(959,922)
Income tax	*8*	**(863)**	106
Profit/(loss) for the year		**402,195**	(959,816)
Profit/(loss) for the year attributable to:			
Owners of the Company		**402,195**	(959,816)
Earning/(loss) per share attributable to the owners of the Company	*9*		
– Basic *(HK$ per share)*		**0.394**	(2.01)
– Diluted *(HK$ per share)*		**(0.023)**	(2.01)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the year	**402,195**	(959,816)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(3,001)**	3,119
Other comprehensive income for the year	**(3,001)**	3,119
Total comprehensive profit/(loss) for the year	**399,194**	(956,697)
Total comprehensive profit/(loss) for the year attributable to:		
Owners of the Company	**399,194**	(956,697)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**246**	473
Intangible assets		**–**	–
Investment deposits		**–**	15,000
		246	15,473
Current assets			
Financial assets at fair value through profit or loss		**21**	53
Accounts receivable	*11*	**2,282**	2,658
Loan receivables		**6,851**	–
Prepayments, deposits and other receivables		**13,177**	4,444
Cash and cash equivalents		**4,883**	10,806
		27,214	17,961
Current liabilities			
Account payables, accrued expenses and other payables	*12*	**55,150**	34,421
Borrowings		**10,500**	–
Promissory notes		**–**	–
Convertible bonds	*13*	**118,800**	43,640
Tax payable		**17,242**	13,249
		201,692	91,310
Net current liabilities		**(174,478)**	(73,349)
Total assets less current liabilities		**(174,232)**	(57,876)
Non-current liabilities			
Convertible bonds	*13*	**–**	526,350
Deferred taxation		**–**	–
		–	526,350
Net liabilities		**(174,232)**	(584,226)
Equity			
Share capital		**10,529**	9,979
Reserves		**(184,761)**	(594,205)
Total deficit		**(174,232)**	(584,226)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	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*	Total *HK$'000*
At 1 July 2016	79,625	1,049,931	38,628	52,959	43	161	(743)	(1,354,934)	(134,330)
Loss for the year	–	–	–	–	–	–	–	(959,816)	(959,816)
Other comprehensive loss for the year:									
Items that may be reclassified subsequently to profit or loss:									
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	3,119	–	–	3,119
Total comprehensive income for the year	–	–	–	–	–	3,119	–	(959,816)	(956,697)
Placing of shares	16,243	9,219	–	–	–	–	–	–	25,462
Capital reorganisation	(93,639)	–	–	93,639	–	–	–	–	–
Issue of subscription shares	750	36,750	–	–	–	–	–	–	37,500
Issue of shares upon exercise of convertible bonds	7,000	436,839	–	–	–	–	–	–	443,839
At 30 June 2017	9,979	1,532,739	38,628	146,598	43	3,280	(743)	(2,314,750)	(584,226)
Profit for the year	–	–	–	–	–	–	–	402,195	402,195
Other comprehensive loss for the year:									
Items that may be reclassified subsequently to profit or loss:									
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	(3,001)	–	–	(3,001)
Total comprehensive income for the year	–	–	–	–	–	(3,001)	–	402,195	399,194
Lapse of share option	–	–	(23,133)	–	–	–	–	23,133	–
Issue of shares upon exercise of convertible bonds	550	10,250	–	–	–	–	–	–	10,800
At 30 June 2018	**10,529**	**1,542,989**	**15,495**	**146,598**	**43**	**279**	**(743)**	**(1,889,422)**	**(174,232)**

1. GENERAL INFORMATION

Inno-Tech Holdings Limited (the "Company") was incorporated in Bermuda on 19 November 2001 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 1015, Level 10, Tower 1, Grand Century Place, Mong Kok, Kowloon, Hong Kong respectively.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are engaged in the provision of outdoor advertising on buses and bus stations and television advertising operation in the People's Republic of China and event management and marketing services in Hong Kong.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute Certified Public Accountants ("HKICPA").

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition to Deferred Tax Assets for unrealised Losses
Annual Improvement to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15 and amendments to HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[3]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[3]
Amendments to HKAS 40	*Transfers on Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014-2016 Cycle*[2]
Amendments HKFRSs	*Annual Improvements to HKFRSs 2015-2017*[3]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[3]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date*

3 *Effective for annual periods beginning on or after 1 January 2019*

4 *Effective for annual periods beginning on or after a date to be determined*

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement 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 interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the consolidated financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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

(i) Going concern basis

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

- The Group had consolidated net current liabilities and capital deficiency of approximately HK$174,478,000 (2017: HK$73,349,000) and HK$174,252,000 (2017: HK$584,226,000) respectively as at 30 June 2018.

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 planning and implementing a growth strategy to develop and expand existing business. The Group is in negotiation with a number of customers and in arm's length, sales agreements such as mobile e-sports, on-line advertising will be completed and implemented; and

(c) the management plans to dispose of business undertakings which would cut losses to the Group and also result in better allocation of resources. Also, the management plans to explore 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 consolidated financial statements do not include any adjustments that may result if the measures could not be implemented successfully. If the proposed measures could not proceed successfully and the going concern basis was not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

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 consolidated financial statements on a going concern basis.

4. REVENUE

Revenue represents income from the advertising operations in the People's Republic of China ("PRC") and event management and marketing services in Hong Kong. The amount of revenue recognised during the year is as follow:

	2018	2017
	HK$'000	*HK$'000*
Outdoor advertising on buses and bus stations	**28,530**	46,785
Interest income from money lending	**369**	–
Event management and marketing services	**4,373**	1,336
	33,272	48,121

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**4**	114
Reversal of impairment loss on loan receivables	**3,310**	–
Sundry income	**9,040**	2,502
Dividend income	**2**	2
	12,356	2,618

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on other borrowings wholly repayable within five years	**392**	4,898

7. LOSS BEFORE INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
(a) Staff cost (including directors' emolument):		
Contributions to defined contribution plan	**644**	209
Salaries, wages and other benefits	**8,089**	9,643
	8,733	9,852
Number of employees (including directors)	**76**	67
(b) Other items		
Amortisation of intangible assets	**–**	423
Auditors' remuneration	**880**	840
Depreciation on property, plant and equipment	**266**	256
Operating lease charges in respect of office premises	**896**	515
Exchange loss, net	**59**	6
Change in fair value of financial assets at fair value through profit or loss	**32**	(10)
Loss on disposal property, plant and equipment	**–**	10
Loss on extinguishment of promissory notes issued by the Company	**–**	289,250
Loss on extinguishment of the Group's borrowings	**–**	196,986
Fair value (gain)/loss on convertible bonds	**(403,200)**	242,315
Loss on issuance of convertible bonds	**–**	101,088
(Gain)/loss upon conversion of convertible bonds	**(37,014)**	91,855
Impairment loss on loan receivables	**–**	6,000
Impairment loss on investment deposit	**15,000**	–
Provision for impairment loss on account receivables	**1,098**	395

The cost of sales includes the amortisation of intangible assets of approximately HK$423,000 during the year ended 30 June 2017.

8. INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise income tax	**863**	–
Deferred tax		
Current year	**–**	(106)
Tax credit for the year	**863**	(106)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: HK$Nil).

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25%. No provision for PRC enterprise income tax has been made as the Group did not generate any assessable profits arising in the PRC during the year (2017: HK$Nil).

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

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**403,058**	(959,922)
Notional tax on loss before income tax, calculated at rates applicable to profits in the countries concerned	**64,917**	(158,387)
Tax effect of expenses not deductible for tax purpose	**13,256**	170,098
Tax effect of income not taxable for tax purpose	**(77,310)**	(11,817)
Income tax credit and effective tax rate for the year	**863**	(106)

9. EARNING/(LOSS) PER SHARE

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

Loss figures are calculated as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the purpose of basic earnings/(loss) per share	**402,195**	(959,816)
Adjustments:		
Gain upon conversion of convertible bonds	**(37,014)**	–
Fair value gain on convertible bonds	**(403,200)**	–
Loss for the purpose of diluted loss per share	**(38,019)**	(959,816)

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share *(note)*	**1,021,620**	477,733
Effect of assumed conversion of convertible bonds	**631,328**	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	**1,652,948**	477,733

Note:

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

The calculation of the diluted loss per share amount is based on the loss for the year ended 30 June 2017. The weighted average number of ordinary shares used in the calculation is 997,949,099 ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of 477,733,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The diluted loss per share amount is decreased when taking the convertible bond into account, the convertible bond had an anti-dilutive effect on the basic loss per share for the year ended 30 June 2017 and was ignored in the calculation of diluted loss per share.

10. 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 operating segments during the year. These segments are managed separately. No operating segments have been aggregated to form the following reportable segments.

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

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

(3) Event management services: event management and market services in HK and PRC

(4) Money lending: Provision of money lending service in Hong Kong

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of central administration costs (e.g. directors' emoluments and finance costs). This is the measure reported to the CODM, for the purposes of resource allocation and performance assessment. Taxation (credit)/charge is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the profit or loss.

All assets are allocated to reportable segments other than deposit paid for acquisition of a subsidiary, financial assets at fair value through profit or loss and unallocated corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than borrowings, deferred taxation, convertible bonds, promissory notes and unallocated liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(a) Business segments

Information regarding the Group's reportable segments set out below:

	Outdoor advertising on buses and bus stations		Television advertisements		Event management and marketing services		Money Lending		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
Revenue from external customers	**28,530**	46,785	**–**	–	**4,373**	1,336	**369**	–	**33,272**	48,121
Reportable segment loss before income tax	**(23,855)**	(3,427)	**–**	–	**373**	(2,077)	**111**	–	**(23,371)**	(5,504)
Depreciation and amortisation	**(51)**	(472)	**–**	–	**(29)**	(14)	**–**	–	**(80)**	(486)
Reportable segment assets	**11,665**	11,312	**2,247**	2,176	**5,256**	246	**6,997**	–	**26,165**	13,734
Reportable segment liabilities	**44,185**	18,790	**19,618**	18,830	**851**	165	**–**	–	**64,654**	37,785
Additions to non-current assets	**12**	37	**–**	–	**–**	114	**–**	–	**12**	151

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Total reportable segment revenues	**33,272**	48,121
Profit or loss		
Reportable segment loss derived from Group's external customers	**(23,371)**	(5,504)
Unallocated other income	**12,262**	10
Finance costs	**(392)**	(4,898)
Impairment loss on investment deposit	**(15,000)**	–
Extinguishment of repayment of promissory notes	**–**	(289,250)
Extinguishment of repayment of borrowings	**–**	(196,986)
Fair value gain/(loss) on convertible bonds	**403,200**	(242,315)
Loss on issuance of convertible bonds	**–**	(101,088)
Gain/(loss) upon conversion of convertible bonds	**37,014**	(91,855)
Unallocated head office and corporate expenses	**(10,655)**	(28,036)
Profit/(loss) before income tax	**403,058**	(959,922)

	2018	2017
	HK$'000	*HK$'000*
Assets		
Total reportable segment assets	**26,165**	13,734
Deposit paid for acquisition of a subsidiary	**–**	15,000
Financial assets at fair value through profit or loss	**21**	53
Unallocated corporate assets	**1,274**	4,647
Consolidated total assets	**27,460**	33,434
Liabilities		
Total reportable segment liabilities	**64,654**	37,785
Borrowings	**10,560**	–
Convertible bonds	**118,800**	569,990
Unallocated corporate liabilities	**7,678**	9,885
Consolidated total liabilities	**201,692**	617,660

(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.

	2018	2017
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong	**1,240**	1,336
The PRC	**32,032**	46,785

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

	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**182**	386
The PRC	**64**	87

(d) Information about major customers

For the year ended 30 June 2018, there was no customer (2017: 1) accounted for over 10% (2017: 13%) of total revenue of the Group.

11. ACCOUNT RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Debtors	**3,776**	3,053
Less: allowance for doubtful debts	**(1,494)**	(395)
	2,282	2,658

(a) Ageing analysis

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

	2018	2017
	HK$'000	*HK$'000*
Current	**–**	–
Less than 1 month past due	**1,823**	–
1 to 3 months past due	**459**	–
Over 3 months past due	**–**	2,658
	2,282	2,658

The Group's trading terms with customers are on credit. The credit period is generally from nil to 30 days. No interest is charged on account receivables and the Group does not hold any collateral over these balances.

12. ACCOUNT PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Account payables *(Notes (i) and (ii))*	**32,932**	5,920
Accrued expenses and other payables *(Note (iii))*	**11,973**	27,523
Receipts in advance	**10,245**	978
	55,150	34,421

Notes:

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

	2018	2017
	HK$'000	*HK$'000*
Less than 1 month	**1,084**	–
1 to 3 months	**–**	5,920
3 to 6 months	**11,851**	–
6 to 9 months	**–**	–
9 to 12 months	**13,829**	–
Over 1 year	**6,168**	–
	32,932	5,920

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

(iii) (1) Included amounts of approximately HK$2,134,720 (2017: HK$10,007,000) related to accrued employee expenses.

(2) Included amounts of approximately HK$175,000 (2017: HK$9,126,000) related to salaries payable to ex-directors.

13. ISSUANCE OF CONVERTIBLE BONDS BY THE COMPANY AND EXTINGUISHMENT OF CERTAIN LIABILITIES OF THE COMPANY

On 7 November 2016, the Company issued the following convertible bonds as a part of financial restructuring described in the Company's circular dated 23 September 2016.

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.

Convertible bond 2 ("CB 2")

The Company issued 3% convertible bonds with the principal amount of HK$50,000,000 to Miss Kuo Yi-Hui, an independent third party and one of the Group's creditors, to settle a Group's borrowing of HK$42,000,000 with interest of 2.5% per month. The carrying amount of the borrowing together with the accrued interest amounted to HK$54,756,000. The maturity date of CB 2 will be on the day last preceding the 18th month of the date of the issue of the CB 2, i.e. 6 May 2018. Interest is payable per annum.

Convertible bond 3 ("CB 3")

The Company issued 3% convertible bonds with the principal amount of HK$25,000,000 to not less than 6 independent third parties for cash consideration of HK$25,000,000. The maturity date of CB 3 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. Interest is payable per annum.

All of the abovementioned convertible bonds were issued soon after the share consolidation. All convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible bonds and their maturity date at a conversion price of HK$0.1 per share, subject to anti-dilutive adjustments and the conversion restriction under Rule 26 of the Hong Kong Code of Takeovers and Mergers. If the convertible bonds have not been converted, they will be redeemed on their respective maturity date at the principal amount outstanding plus accrued interest. The Company shall have the right at any time between the date of issue of the convertible bonds but prior to their respective maturity date to redeem the whole or any principal amount of the convertible bonds outstanding at 100% of the principal amount thereof with the accrued interest (the "Early Redemption Option").

The Early Redemption Option embedded in all convertible bonds was not considered by management as closely related to the host liability component of the convertible bonds and hence the conversion options embedded in the convertible bonds do not meet the requirement as to "fixed amount of cash for a fixed number of shares of the Company's equity instruments and are not classified as equity instruments. Instead, the conversion options and Early Redemption Options are considered as embedded derivatives. With embedded derivatives, management decided to designate the convertible bonds as financial liabilities as at fair value through profit or loss on initial recognition. At the issuance date of those convertible bonds, the fair value of CB 1, CB 2 and CB 3 were approximately HK$302,500,000, HK$251,743,000 and HK$126,088,000 respectively.

Upon the initial recognition, the Group has recognised losses attributable to the following:

- Loss on extinguishment of the abovementioned promissory notes issued by the Company amounting to approximately HK$289,250,000. The consideration for the extinguishment was satisfied by a) issuance of 75,000,000 ordinary shares of the Company for a cash consideration of HK$750,000 and issuance of CB 1 of principal amount of HK$60,500,000. As mentioned in the Group's accounting policy note, the difference between carrying amount of a financial liability derecognised and the consideration paid, measured in this case based on the fair values of the ordinary shares (less consideration received) and CB 1 issued, is recognised in profit or loss;

- Loss on extinguishment of the abovementioned borrowing amounting to approximately HK$196,986,000. The consideration for the extinguishment was satisfied by the issuance of CB 2 of principal amount of HK$50,000,000. The difference between carrying amount of the financial liability derecognised and the consideration paid, measured based on the fair value of CB 2 issued, is recognised in profit or loss; and

- Loss on initial recognition of CB 3, amounting to HK$101,088,000, attributable to the fact that the fair value of CB 3 determined on initial recognition is significantly higher than the cash consideration received.

The losses arising on extinguishment and initial recognition referred to above were mainly due to the fact that a significant value of the convertible bonds as at initial recognition was attributable to the conversion option embedded in the convertible bonds that entitle the holders to convert into ordinary shares of the Company at the initial conversion price of HK$0.1 per conversion share, which is at a significant discount to the fair value of the share of HK$0.5 on initial recognition of the convertible bonds. In the opinion of the directors of the Company, the initial conversion price should not be adjusted for the share consolidation of every five issued and unissued shares into one share which took place on 4 November 2016 as disclosed in Note 29.

The movements of CB 1, CB 2 and CB 3 during the year are set out below:

	CB 1 *HK$'000*	**CB 2** *HK$'000*	**CB 3** *HK$'000*	**Total** *HK$'000*
At 1 July 2016	–	–	–	–
Issued during the year	302,500	251,743	126,088	680,331
Converted during the year	–	(280,175)	(163,664)	(443,839)
Interest paid	–	(421)	(251)	(672)
Fair value remeasurement:				
– on conversion	–	54,028	37,827	91,855
– at the end of the reporting period	223,850	18,465	–	242,315
At 30 June 2017 and 1 July 2017	526,350	43,640	–	569,990
Converted during the year	(900)	(9,900)	–	(10,800)
Interest paid	–	(176)	–	(176)
Fair value remeasurement:				
– on conversion	(3,450)	(33,564)	–	(37,014)
– at the end of the reporting period	(403,200)	–	–	(403,200)
At 30 June 2018	**118,800**	**–**	**–**	**118,800**
Analysed for reporting purposes as:				
– Current portion	118,800	–	–	118,800

During the year ended 30 June 2017, the original holder of CB 2, Miss Kuo Yi-Hui, transferred the aggregate principal amount of HK$20,000,000 to 2 parties considered by management to be independent third parties of the Company or the Group. After the transfers, Miss Kuo Yi-Hui and the other transferees converted the aggregate principal amount of HK$25,000,000 of CB 2 into the ordinary shares of the Company. In the opinion of the directors of the Company, such conversions did not trigger Rule 11.23(7) of the GEM Listing Rules and Rule 26 of the Hong Kong Code of Takeovers and Mergers.

During the year ended 30 June 2018, profit of HK$37,014,000 and HK$403,500,000 (2017: HK$91,855,000 and HK$242,315,000) respectively were recognised in profit or loss attributable to fair value remeasurement of certain convertible bonds on conversion and fair value measurement of outstanding convertible bonds at the end of the reporting period.

The fair values of the convertible bonds at initial recognition, at the time of conversion and as at 30 June 2017 and 2018 were estimated using binominal option pricing model with the following inputs:

	At 30 June 2018	At 30 June 2017	At the issuance date
Stock price	**HK$0.198**	HK$0.87	HK$0.50
Conversion price	**HK$0.10**	HK$0.10	HK$0.10
Risk-free rate	**1.524%**	0.54% to 0.66%	0.54% to 0.60%
Dividend yield	**0%**	0%	0%
Time to maturity	**0.4 years**	0.9 to 1.4 years	1.5 to 2 years
Volatility	**45.09%**	32.23%	32.16%

The above inputs used in computing the fair value of the convertible bonds were based on the directors' best estimate. Changes in input may result in changes in the fair value of the convertible bonds.

14. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 30 June 2018 (2017:Nil).

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract from the report issued by Elite Partners CPA Limited on the consolidated financial statements of the Group for the year ended 30 June 2018:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties related to the going concern basis

As disclosed in note 3(b) to consolidated financial statements, the Group had net current liabilities of approximately HK$174,478,000 and capital deficiency of approximately HK$174,232,000 as at 30 June 2018. The existence of these uncertainties casts significant doubt on the Group's ability to continue as going concern.

Nevertheless, the consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, the validity of which is dependent on the favourable outcomes of the steps being taken by the directors as described in note 3(b) to the consolidated financial statements. However, we were unable to obtain sufficient audit evidence to assess the appropriateness and validity of the going concern assumption. Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. These consolidated financial statements do not include any of those adjustments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL PERFORMANCE

Inno-Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of outdoor advertising on buses and bus stations and television advertising operation in the People's Republic of China (the "PRC") and event management and marketing services in Hong Kong.

The Group reported a revenue of approximately HK$33,272,000 for the year ended 30 June 2018, representing a decrease of approximately 30.65% compared with the revenue of approximately HK$48,121,000 for the year ended 30 June 2017. During the year ended 30 June 2018, a significant part of the revenue was contributed from the buses and bus stations advertising business whereas an approximately 98.9% of the revenue was contributed from event management and marketing services business.

The marketing and promotion expenses for the year ended 30 June 2018 amounted to approximately HK$1,139,000, which were arising from the buses and bus stations advertising business, representing an increase of approximately HK$152,000 or 15.4% as compared with that of approximately HK$987,000 in the last corresponding year.

The administrative expenses for the year ended 30 June 2018 decreased by approximately HK$879,000 to approximately HK$30,384,000 (2017: approximately HK$31,263,000), which was mainly due to the payment of legal and professional fees for financial advisory services.

Finance cost decreased by approximately 91.99% from approximately HK$4,898,000 for the year ended 30 June 2017 to approximately HK$392,000 for the year ended 30 June 2018. The finance costs were mainly consisted of interest on borrowings.

Basic earning per share as at 30 June 2018 was HK$0.394 (2017: basic loss per share HK$2.01).

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018 (2017: Nil).

Buses and bus stations advertising business in the PRC

The Group continues to focus on the business operations of having outdoor advertising on buses and bus stations. The major customers in such business segment include media agency and customers of medical and communications industry. The major suppliers include bus and bus stations owners and advertising production companies for provision of outdoor media resources. It persistently pursues the development in the following possible ways:

– Expands the advertising network;

– Expands the customer base;

– Increases the utilization of the Group's media resources;

– Enhances pricing strategy; and

– Focuses on sales and marketing.

During the year ended 30 June 2018, the Group's buses and bus stations advertising business in the PRC reported a 39% decrease in revenue to HK$28,530,000 from HK$46,785,000 in 2017.

Television advertising business in the PRC

Due to challenging and competitive operating environment in the PRC, 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 no revenue reporting for the year ended 30 June 2018 (2017: Nil).

Event management and marketing services in Hong Kong

The Group would provide tailor-made and customized services for clients according to their specific needs for event promotion, event organization and event arrangement. For the year ended 30 June 2018, the Group's event management and marketing services business in Hong Kong reported revenue amounting to approximately HK$4,373,000 (2017: approximately HK$1,336,000).

Hong Kong has received worldwide recognition as one of the best destinations for meetings, incentives, conventions and exhibitions and business travelers. As such, it is foreseeable that there will be demand for event management and marketing services and the prospect of this business segment is optimistic.

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 30 June 2018, the net current liabilities of the Group were approximately HK$174,478,000 (2017: HK$73,349,000). Out of the current assets as at 30 June 2018, approximately HK$4,883,000 (2017: HK$10,806,000) were cash and cash equivalents. The current ratio of the Group as at 30 June 2018 was 0.13 (2017: 0.20). As at 30 June 2018, the Group has no borrowings of HK$10,500,000 (2017: Nil) and other debts of convertible bonds of approximately of HK$118,800,000 (2017: promissory note of HK$43,640,000) denominated in Hong Kong dollars. The net debt (i.e. total short-term borrowings and other debts less cash and cash equivalent) as at 30 June 2018 was HK$196,809,000 (2017: HK$80,504,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 June 2018 was nil (2017: Nil).

The Group did not have any stand-by banking facilities as at 30 June 2018 and 2017.

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$4,883,000 (2017: HK$10,806,000) which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings and equity financing.

Save as disclosed in this annual report, the Group has no material capital expenditure commitments as at 30 June 2018.

CAPITAL STRUCTURE

As at 30 June 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 of HK$0.01 each.

Convertible Bonds

During the year, the Company issued the following convertible bonds being part of the financial restructuring exercise of the Group.

On 7 November 2016, the Company issued convertible bonds with principal amount of HK$60.50 million (the "CB1") due in November 2018 with conversion price of HK$0.10 per conversion share to Profit Eagle. The CB1 does not bear any interest. The maturity date is the date falling on the 24 months of the date of issue of the CB1. On 13 June 2018, the CB1 in the aggregate principal amount of HK$500,000 have been converted into 5,000,000 shares and the principal amount of HK$60.00 million (CB1) remains outstanding.

On 7 November 2016, the Company issued convertible bonds with principal amount of HK$50 million (the "CB2") due in May 2018 with conversion price of HK$0.10 per conversion share to Ms. Kuo Yi-Hui. The CB2 has an interest rate of 3% per annum. The maturity date is the date falling on the 18 months of the date of issue of the CB2. As at 30 June 2018, the CB2 amounting to HK$50 million have been fully converted into 500,000,000 shares.

On 7 November 2016, the Company issued convertible bonds with aggregate principal amount of HK$25 million (the "CB3") due in November 2018 with conversion price of HK$0.10 per conversion share to not less than 6 placees. The CB3 has an interest rate of 3% interest per annum. The maturity date is the date falling on the 24 months of the date of issue of the CB3. As at 30 June 2018, the CB3 with a total principal amount of HK$25 million have been fully converted into 250,000,000 shares.

For details of the Capital Reorganisation and the financial restructuring exercise of the Group, please refer to the announcements of the Company dated 12 August 2016, 19 September 2016, 24 October 2016, 3 November 2016 and 7 November 2016 respectively and the circular of the Company dated 23 September 2016.

The Group is constantly looking for any other business opportunities for new possible potential investment to improve the standard performance of the Group and improve Shareholders' return.

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 30 June 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 currency which are mainly in HK$ or RMB.

As at 30 June 2018, the Group does not have 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 30 June 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 AND REMUNERATION POLICY

As at 30 June 2018, the Group employed a total of 76 employees (including Directors) (2017: 67), and the total remuneration (including Directors' remuneration) for the year ended 30 June 2018 was approximately HK$8,089,000 (2017: HK$9,643,000). The Group remunerates its employees based on their individual performance, working experience, qualification and the prevailing market price. Other benefits provided by the Group to the employee include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018 (2017: Nil) and no interim dividend was paid during the year (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2018.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

AUDIT COMMITTEE

The audit committee of the Company ("AC") was set up on 5 July 2002 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the AC are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this announcement, the AC comprises of three members, Mr. Leung Chung Nam, Mr. Tse Yuen Ming, Ms. Liu Jianyi, all being independent non-executive Directors. The AC held four meetings during the year. The Group's audited results for the year ended 30 June 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. The AC is chaired by Mr. Leung Chung Nam.

CORPORATE GOVERNANCE PRACTICES

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

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

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

Throughout the year ended 30 June 2018, the Company has complied with most of the Code Provisions of the CG Code, except for the following deviations.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive ("CEO") should be separate and should not be performed by the same individual. The Company has not appointed chairman since 23 January 2015, and the roles and functions of the chairman have been performed by all the executive directors collectively. The Company also has not appointed CEO since 9 April 2015, and the roles and functions of CEO have been performed by all the executive directors collectively. The Board keeps reviewing the current structure of the Board from time to time and has identified candidates with suitable knowledge, skill and experience. The Company has made appointment to fill the posts of the chairman and CEO of Mr. Pu Haiyong as Chairman and Mr. Wang Yu as CEO on 20 June 2018 and 16 August 2018 respectively. The Company will make further announcement as and when required pursuant to the GEM Listing Rules.

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, Under Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 ("Securities Code") of the GEM Listing Rules. During the year ended 30 June 2018, the Directors have confirmed, following specific inquiry by the Company, that they have complied with the required standard and code of conduct set out in the Securities Code.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control systems to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle all significant risks associate with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment.

The management would identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results. The type(s) of risk management strategy are listed as follow:

– Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

– Risk avoidance: change business process or objective so as to avoid the risk;

– Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

– Risk transfer: transfer ownership and liability to a third party

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control systems are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year ended 30 June 2018, the Group has engaged, Elite Partners Risk Advisory Services Limited ("Elite Partners"), an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. Elite Partners would perform procedures for assess the effectiveness and adequacy of the internal control system of the Group quarterly. There is no significant deficiency and weakness on the internal control system has been identified by Elite Partners for the year ended 30 June 2018.

The Board considered that, for the year ended 30 June 2018, the risk management and internal control systems and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

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 HK$737,117.95 and commenced taxation proceedings. The Defendants considered that the claim for costs was grossly inflated and would seek the taxing master's determination on the quantum of costs as claimed. The taxation hearing of the Plaintiff's claim for costs will be held on 13 December 2017.

(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 ("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"). The parties attended a mediation conference on 22 February 2017 but no settlement was reached. There has been no progress in this case since the mediation conference.

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.

There has been no development in HCMP 241/2015 after the Petitioner filed its list of documents on 26th January 2017.

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 year ended 30 June 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.

By order of the Board
Inno-Tech Holdings Limited
Wang Yu
Executive Director

Hong Kong, 28 September 2018

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. Pu Haiyong
Mr. Wang Yu
Mr. Lau King Hang
Dr. Chan Yiu Wing

Independent non-executive Directors:
Mr. Leung Chung Nam
Mr. Tse Yuen Ming
Ms. Liu Jianyi

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company.