

INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

Third Quarterly Report 2012/2013



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

(Incorporated in Bermuda with Limited Liability)

(Stock code : 8202)

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

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

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

CORPORATE INFORMATION

Board of Directors

Mr. Chen Chuan (*Chairman*)
Mr. Ang Wing Fung
Mr. Shih Yau Ting, Jackson
(*appointed on 18 February 2013*)
Mr. Lee Ho Yiu, Thomas
(*appointed on 21 January 2013*)
Ms. Lu Di *
Mrs. Kwan Leung, Anna *
Ms. Wong On Yee *
(*resigned on 21 January 2013*)

* Independent non-executive Directors

Compliance Officer

Mr. Chen Chuan

Authorised Representatives

Mr. Chen Chuan
Mr. Ang Wing Fung

Company Secretary

Mr. Tse Wing York, CPA
(*resigned on 7 May 2013*)
Mr. Cheng Wai Hei, FCCA, ACS, IACS
(*appointed on 7 May 2013*)

Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)
(*appointed on 21 January 2013*)
Ms. Lu Di
Mrs. Kwan Leung, Anna
Ms. Wong On Yee
(*resigned on 21 January 2013*)

Remuneration Committee Members

Mr. Ang Wing Fung (*Chairman*)
Mr. Lee Ho Yiu, Thomas
(*appointed on 21 January 2013*)
Ms. Lu Di
Ms. Wong On Yee
(*resigned on 21 January 2013*)

Nomination Committee Members

Mr. Chen Chuan (*Chairman*)
Mr. Lee Ho Yiu, Thomas
(*appointed on 21 January 2013*)
Mrs. Kwan Leung, Anna
Ms. Wong On Yee
(*resigned on 21 January 2013*)

Auditors

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Legal Adviser to the Company

Troutman Sanders (*as to Hong Kong Laws*)
Tang, Tso & Lau Solicitors
(*as to Hong Kong Laws*)

Principal Bankers

Shanghai Commercial Bank Limited
The Bank of East Asia Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

Room 606, 6th Floor
MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Principal Share Registrars and Transfer Office

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

Hong Kong Branch Share Registrars and Transfer Office

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

Company Website

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

Gem Stock Code

8202

HIGHLIGHTS

- Revenue for the nine months ended 31 March 2013 amounted to approximately HK\$80,836,000, representing an increase of approximately 116% as compared to amount reported in the corresponding period in 2012.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$53,711,000 for the nine months ended 31 March 2013.
- Basis loss per share amounted to HK\$0.63 for the nine months ended 31 March 2013.
- The Board did not recommend the payment of a dividend for the nine months ended 31 March 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 March 2013

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

	Notes	Unaudited three months ended 31 March		Unaudited nine months ended 31 March	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	3	28,595	10,331	80,836	37,389
Cost of sales		(34,553)	(13,280)	(94,333)	(42,363)
Gross loss		(5,958)	(2,949)	(13,497)	(4,974)
Other revenue and net income		96	76	481	2,422
Marketing and promotion expenses		(358)	(290)	(1,532)	(1,513)
Administrative expenses		(9,340)	(4,857)	(25,490)	(16,255)
Finance costs		(13,161)	(35)	(32,412)	(1,197)
Share of losses of associates		–	–	–	(5)
Changes in fair value of derivative financial instruments		–	–	–	(1,384)
Loss on disposal of trading securities		–	(257)	–	(5,710)
(Loss)/profit on fair value change in trading securities		(4)	218	(14)	(870)
Loss before income tax		(28,725)	(8,094)	(72,464)	(29,486)
Income tax	4	1,359	789	4,952	2,062
Loss for the period		(27,366)	(7,305)	(67,512)	(27,424)
Other comprehensive loss					
Exchange difference acting on translation of foreign operations		(932)	(14)	(1,074)	(82)
Total comprehensive loss for the period		(28,298)	(7,319)	(68,586)	(27,506)
Loss for the period attributable to:					
Owners of the Company		(19,991)	(7,032)	(53,711)	(26,911)
Non-controlling interests		(7,375)	(273)	(13,801)	(513)
		(27,366)	(7,305)	(67,512)	(27,424)
Total comprehensive loss attributable to:					
Owners of the Company		(20,923)	(7,046)	(54,785)	(26,993)
Non-controlling interests		(7,375)	(273)	(13,801)	(513)
		(28,298)	(7,319)	(68,586)	(27,506)
Loss per share attributable to owners of the Company			(Restated)		(Restated)
– Basic and diluted	5	(0.15)	(0.74)	(0.63)	(2.83)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2013

	Attributable to owners of the Company										Total
	Share capital	Share premium	Share options reserve	Convertible notes/bonds reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interest	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011	95	225,775	38,714	742	52,959	43	(419)	(70,460)	247,449	9,663	257,112
Loss for the period	-	-	-	-	-	-	-	(26,911)	(26,911)	(513)	(27,424)
Exchange difference on consolidation	-	-	-	-	-	-	(82)	-	(82)	-	(82)
Total comprehensive loss for the period	-	-	-	-	-	-	(82)	(26,911)	(26,993)	(513)	(27,506)
Issue of convertible notes	-	-	-	11,508	-	-	-	-	11,508	-	11,508
Redemption of convertible notes	-	-	-	(12,250)	-	-	-	742	(11,508)	-	(11,508)
At 31 March 2012	95	225,775	38,714	-	52,959	43	(501)	(96,629)	220,456	9,150	229,606
At 1 July 2012	95	225,775	38,714	-	52,959	43	(446)	(110,384)	206,756	5,229	211,985
Loss for the period	-	-	-	-	-	-	-	(53,711)	(53,711)	(13,801)	(67,512)
Exchange difference on consolidation	-	-	-	-	-	-	(1,074)	-	(1,074)	-	(1,074)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,074)	(53,711)	(54,785)	(13,801)	(68,586)
Issue of convertible bonds	-	(6,000)	-	28,866	-	-	-	-	22,866	-	22,866
Exercise of convertible notes	790	271,788	-	-	-	-	-	-	272,578	-	272,578
Deferred tax liability arising on convertible bonds	-	-	-	(4,329)	-	-	-	-	(4,329)	-	(4,329)
Exercise of convertible bonds	429	159,362	-	(19,998)	-	-	-	-	139,793	-	139,793
Issue of shares	217	6,813	-	-	-	-	-	-	7,030	-	7,030
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	7,515	7,515
Shares consolidation	-	(165)	-	-	-	-	-	-	(165)	-	(165)
At 31 March 2013	1,531	657,573	38,714	4,539	52,959	43	(1,520)	(164,095)	589,744	(1,057)	588,687

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

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

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

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

During the period, the Group incurred a loss of approximately HK\$67,512,000 (nine months ended 31 March 2012: HK\$27,424,000) and had net current liabilities of approximately HK\$215,781,000 as at 31 March 2013.

In preparing the 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. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors are currently implement stringent cost control measures over administrative and other expenses to improve the operating and financial position of the Group.

In the opinion of the directors, the successful implementation of the above measures, the Group will have sufficient cash resources to satisfy its future working capital and other financial commitments. The directors are of the opinion that the above measures will be successful implemented. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments may have to be made to write down assets to their recoverable amounts. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparation of the Quarter Results are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2012 (“Annual Financial Statements”). The Quarter Results should be read in conjunction with the Annual Financial Statements.

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

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

HKAS 19 (Revised in 2011)	Employee Benefits ¹
HKAS 27 (Revised in 2011)	Separate Financial Statements ¹
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ²
HKFRS (Amendments)	Annual Improvements 2009 – 2011 Cycle ¹
HKFRS 1 (Amendments)	Government Loan ¹
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

3. TURNOVER

Turnover represents revenue from the design of residential intranet, provision of home-automation services and trading of related home-automation products, outdoor advertising operations and television advertisements in the People's Republic of China ("PRC"). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Unaudited nine months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Income from outdoor advertising operations	80,583	32,773
Income from design of residential intranet, provision of home-automation services and trading of related home-automation products	253	4,616
	80,836	37,389

4. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	Unaudited Nine months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Current tax		
PRC Enterprise Income Tax	2,114	999
Deferred tax		
Current period	(7,066)	(3,061)
	(4,952)	(2,062)

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

Subsidiaries located in the PRC are subject to the PRC enterprise income tax at a rate of 25% on its assessable profits. Pursuant to Guo Fa [2007] No. 39 issued by the State Council, one of the subsidiaries of the Company, 匯創智能系統(深圳)有限公司 was granted tax concessions at a preferential tax rate of 22% for the year from 1 January 2011 to 31 December 2011, 24% for the year from 1 January 2012 to 31 December 2012 and 25% for the year from 1 January 2013 to 31 December 2013.

5. LOSS PER SHARE

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

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

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

The calculation of basic and diluted loss per share is based on:

	Unaudited three months ended 31 March		Unaudited nine months ended 31 March	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to: Owners of the Company	(19,991)	(7,032)	(53,711)	(26,911)

	Number of shares three months ended 31 March		Number of shares nine months ended 31 March	
	2013	2012	2013	2012
	(Unaudited) '000	(Unaudited) -restated '000	(Unaudited) '000	(Unaudited) -restated '000
Weight average number of ordinary shares for basic and diluted loss per share calculation	131,078	9,506	85,754	9,506

6. COMPARATIVE FIGURES

As detailed in Note 5, the Company's basic and diluted losses per share figures for the prior period ended have been restated to confirm with the current period's presentation.

DIVIDEND

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

BUSINESS REVIEW

For the nine months ended 31 March 2013, the Group's unaudited consolidated turnover amounted to approximately HK\$80,836,000 (2012: HK\$37,389,000).

The Group recorded a net loss attributable to owner of the Company of approximately HK\$53,711,000 for the nine months ended 31 March 2013 (2012: net loss HK\$26,911,000). Basic loss per share for the nine months ended 31 March 2013 was HK\$0.63 (2012: basic loss per share: HK\$2.83 (restated)).

Outdoor advertising business in Shijiazhuang

The Chinese government implemented measures to curb inflation and property prices during the period. Despite the challenging international macroeconomic environment and the tightening effect of these government policies, China's domestic consumption continued to rise on the back of continued urbanisation and rising general income. This provided a favorable foundation for the development of the advertising industry in China.

Domestic brands in the Greater China Region were even more active, increasing their advertising spending to gain further ground in the consumer market in China. New advertising clients from the household equipment industries made significant contributions to our revenue increase during the period. It is due to replacement of old-fashioned equipment by new model and the Chinese Government new subsidies program for energy-efficient equipment.

Although advertiser demand continued to rise, as new inventories and capacity were added by existing advertising platform operators, competition between outdoor advertising and other advertising formats continued to be keen.

During the nine months ended 31 March 2013, the sales revenue of outdoor advertising business in Shijiazhuang decreased by 10.1% to HK\$29,457,000 in 2013, from HK\$32,773,000 in the corresponding period in 2012.

Acquisition of Redgate Ventures Group

On 31 August 2012, the Group acquired 100% equity interest of Redgate Ventures Limited (“Redgate Ventures”) and its subsidiaries (collectively refer as “Redgate Ventures Group”). Redgate Ventures is a major media investment holding company built by a team of career media professionals from some of the world’s largest media companies. Redgate Ventures Group operates primarily in China which was conceived in 2007 and built upon two key acquisitions in 2008 in the outdoor and television industries of Beijing Yanghuang Shengshi Advertising Co. Ltd. (“Beijing Yanhuang”) and Shanghai Dianguang Media Broadcasting Company Ltd. (“Shanghai Dianguang”) respectively. Redgate Ventures has grown more quickly through both acquisition and organic expansion, and believes that the high level of fragmentation in the Chinese media market, combined with the sheer scale of the market opportunity, presents a compelling platform for consolidation. Through its subsidiaries, Redgate Ventures Group operates its current business in advertising across a wide array of billboards, television airtime, and other mass media, which are all positioned to reach China’s fast-growing class of increasingly-affluent domestic consumers. Redgate Ventures Group provides advertising and advertising agency services to clients who advertise across a wide range of media. Redgate Ventures Group is also engaged in other advertising-related media activities such as product-placement, film consulting, and television program production. The Directors consider that there is synergy between the present business of the Group and those of the Redgate Ventures Group, in terms of business model and source of revenue, and the acquisition represents an opportunity for the Group to acquire an integrated crossmedia platform and expand its presence in the television advertisement business in PRC.

For the nine months ended 31 March 2013, the Group recorded revenue of approximately HK\$51,126,000 were contributed by Redgate Venture Group and accounted for approximately 63.2% of the Group’s turnover.

Capital Structure

On 26 October 2012, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 19,012,424 placing shares on a fully underwritten basis to the placee who is an independent third party at the placing price of HK\$0.06 per placing share. The placing was completed on 1 November 2012.

On 27 December 2012, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place 198,341,217 placing shares on a fully underwritten basis to the placees who are an independent third parties at the placing price of HK\$0.032 per placing share. The placing was completed on 3 January 2013.

On 28 December 2012, the Board proposes to implement the share consolidation on the basis that every ten issued and unissued Shares of HK\$0.001 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.01 each ("Share Consolidation"). Following the passing of a special resolution of the company's special general meeting on 28 January 2013, the Share Consolidation was completed on 29 January 2013.

During the nine months ended 31 March 2013, the convertible bonds amounted to HK\$163,000,000 were converted into 42,894,735 (adjusted number of shares upon completion of Share Consolidation) ordinary shares of the company.

During the nine months ended 31 March 2013, the convertible notes amounted to HK\$299,901,396 were converted into 78,921,406 (adjusted number of Shares upon completion of Share Consolidation) ordinary shares of the company.

As at 31 March 2013, the Company's issued share capital was HK\$1,530,577.17 and the number of its issued ordinary shares was 153,057,717 shares of HK\$0.01 each ("Shares").

OUTLOOK

Outdoor advertising and television advertisements businesses

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

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

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

Save as the acquisition of 100% equity interest in Redgate Ventures mentioned in “Business Review”, there were no material acquisitions and disposals of investments by the Group during the nine months ended 31 March 2013.

CONVERTIBLE BONDS/NOTES

The placing of the convertible bonds in aggregate principal amount of HK\$200,000,000 (“Placing CBs”) was completed on 29 August 2012. The net proceeds from the placing amounted to approximately HK\$194,000,000 was used to fund the cash portion of the consideration paid for acquisition of Redgate Ventures. The Placing CBs, with maturity date of 28 August 2014, is convertible into Shares at the conversion price of HK\$3.80 (adjusted upon completion of Share Consolidation) per Share during the conversion period. As at 31 March 2013, the Placing CBs with the principal amount of HK\$163,000,000 have been converted into Shares of the Company.

On 31 August 2012, the Company issued convertible notes with the principal amount of HK\$1,160,000,000 as consideration for acquisition 100% of Redgate Ventures (“Redgate CN1 & CN2”). The Redgate CN1 & CN2, with maturity date of 30 August 2015, is convertible into Shares at the conversion price of HK\$3.80 (adjusted upon completion of Share Consolidation) per Share during the conversion period. As at 31 March 2013, the Redgate CN1 & CN2 with the principal amount of HK\$299,901,396 have been converted into Shares of the Company.

On 31 August 2012, the Company issued convertible notes with the principal amount of HK\$140,704,000 as consideration for acquisition 100% of Redgate Ventures (“Redgate CN3”). The Redgate CN3, with maturity date of 30 August 2015, is convertible into Shares at the conversion price of HK\$2.35 (adjusted upon completion of Share Consolidation) per Share during the conversion period. As at 31 March 2013, no Redgate CN3 has been converted into Shares of the Company.

FOREIGN CURRENCY RISK

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

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

As at 31 March 2013, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB, used by the Group entities or in the HK\$ functional currency Group entities.

As at 31 March 2013, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

EMPLOYEES

The number of employees (including Directors) was 123 as at 31 March 2013 (2012: 50), and the total staff costs (including Directors' remuneration) for the nine months ended 31 March 2013 was approximately HK\$11,992,000 (2012: HK\$4,710,000). Other benefits provided by the Group to the employees include MPF and medical coverage.

SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was adopted on 5 July 2002 and the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 ("Prospectus"). There were 63,070 share options granted to the grantees. Up to 31 March 2013, there is no option granted and outstanding under the Pre-IPO Share Option Scheme. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 31 March 2013	Option period	Exercise price per share
		Outstanding as at 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	5 July 2002	12,614	-	-	(12,614)	-	5 July 2002 to 4 July 2012	HK\$106.54
Total		12,614	-	-	(12,614)	-		

(ii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section head “Share Option Schemes” in Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 31 March 2013, there were 169,954* share options granted to the grantees and there were 107,809* shares options under the Post-IPO Share Option Scheme exercised and no options has been cancelled. The remaining 62,145* share options under the Post-IPO Share Option Scheme will lapse from 6 January 2014 to 14 January 2020. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 31 March 2013	Option period	Exercise price per share
		Outstanding as at 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted during the period upon Completion of Shares Consolidation			
Other employees and consultants	6 January 2004	28	-	-	-	(26)	2	6 January 2004 to 5 January 2014	HK\$837.20
	20 September 2005	2,628	-	-	-	(2,365)	263	20 September 2005 to 19 September 2015	HK\$433.80
	23 August 2007	183,375	-	-	-	(165,037)	18,338	23 August 2007 to 22 August 2017	HK\$2,397.40
	9 September 2008	81,069	-	-	-	(72,962)	8,107	9 September 2008 to 8 September 2018	HK\$662.20
	11 September 2008	57,814	-	-	-	(52,033)	5,781	11 September 2008 to 10 September 2018	HK\$742.00
	16 December 2008	57,814	-	-	-	(52,033)	5,781	16 December 2008 to 15 December 2018	HK\$290.00
	17 February 2009	31,535	-	-	-	(28,381)	3,154	17 February 2009 to 16 February 2019	HK\$376.80
	29 May 2009	31,535	-	-	-	(28,381)	3,154	29 May 2009 to 28 May 2019	HK\$334.80
	31 December 2009	17,987	-	-	-	(16,189)	1,798	31 December 2009 to 30 December 2019	HK\$171.20
	15 January 2010	157,674	-	-	-	(141,907)	15,767	15 January 2010 to 14 January 2020	HK\$277.80
Total		621,459	-	-	-	(559,314)	62,145		

* Adjusted number of share options upon completion of Shares Consolidation.

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

(a) Directors' and chief executives' interest in the Company

As at 31 March 2013, none of the Directors nor the chief executives of the Company had any other interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares interested	Number of underlying Shares interested	Total number of Shares and underlying Shares interested	Approximately percentage of shareholding
Media Chief Limited	Beneficial owner	-	70,183,816		
	Interested of controlled corporation (Note 1)	28,178,948	63,026,315	161,389,079	105.44%
Carraway Holdings Limited	Beneficial owner	28,178,948	63,026,315	91,205,263	59.59%
United Industrial Services Limited	Beneficial owner	8,368,550	16,195,080	24,563,630	16.05%
Kuwait China Investment Company K.S.C	Beneficial owner	-	184,445,891	184,445,891	12.05%
Uni-Asia Limited	Beneficial owner	-	24,563,630	24,563,630	16.05%
Universal Portfolio Holdings Limited	Interested of controlled corporation (Note 2)	-	24,563,630	24,563,630	16.05%
	Interested of controlled corporation (Note 3)	-	24,563,630	24,563,630	16.05%
Hamilton Trust and Management Company Limited	Interested of controlled corporation (Note 4)	-	24,563,630	24,563,630	16.05%
Al-Saleh Fawzi M	Interested of controlled corporation (Note 5)	-	24,563,630	24,563,630	16.05%
AsiaStar IT Fund LP	Beneficial owner	5,903,359	12,856,061	18,759,420	12.26%
Peter Bush Brack	Beneficial owner	4,715,838	9,126,266	13,842,104	9.04%
Richmond Capital Group Limited	Beneficial owner	3,401,588	6,582,860	9,984,448	6.52%
Creative Sky Holdings Limited	Beneficial owner	2,914,635	5,640,494	8,555,129	5.59%

Notes:

1. Carraway Holdings Limited is beneficially owned as to 51% by Media Chief Limited. Therefore Media Chief Limited is deemed to be interested in the shares of Carraway Holdings Limited.
2. Uni-Asia Limited is beneficially owned as to 100% by Universal Portfolio Holdings Limited. Therefore Universal Portfolio Holdings Limited is deemed to be interested in the shares of Uni-Asia Limited.
3. Universal Portfolio Holdings Limited is beneficially owned as to 90% by Yasmine Holdings Limited. Therefore Yasmine Holdings Limited is deemed to be interested in the shares of Universal Portfolio Holdings Limited.
4. Yasmine Holdings Limited is beneficially owned as to 100% by Hamilton Trust and Management Company Limited. Therefore Hamilton Trust and Management Company Limited is deemed to be interested in the shares of Yasmine Holdings Limited.
5. Hamilton Trust and Management Company Limited is beneficially owned as to 100% by Al-Saleh Fawzi M. Therefore Al-Saleh Fawzi M is deemed to be interested in the shares of Hamilton Trust and Management Company Limited.

Save as disclosed above, as at 31 March 2013, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 March 2013, no director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party.

DIRECTORS' INTEREST IN COMPETING INTERESTS

As at 31 March 2013, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

MANAGEMENT CONTRACTS

As at 31 March 2013, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 March 2013, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

CODE ON CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 ("Securities Code") of the GEM Listing Rules. During the nine months ended 31 March 2013, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Securities Code.

LITIGATION/CONTINGENT LIABILITIES

- (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\$10,000,000.00 by the Defendants based upon an alleged admission of liability made by the Defendants. The Defendants denied the Plaintiff’s claims and have sought legal advice in this regard.

The parties had attempted mediation but it produced no fruitful result at all. As the mediation failed, the parties proceeded further with the proceedings and completed discovery of all documentary evidence. On 24th May 2012 the Defendants jointly took out an application for leave to adduce expert evidence from independent witnesses on issues revolving around the top-up placement of shares of the Company in June 2008. The hearing of the said application was listed on 17th September 2012. After the hearing, the Court declined to grant leave for adducing expert evidence.

As a result of the Court’s decision of not allowing expert evidence, Counsel reviewed all pleadings and evidence so far disclosed and advised on further amendments to the Defendants’ Defence and the filing of further witness statements as to facts in order to fortify the Defendants’ case. In March 2013 further amendments were made to the Defendants’ Defence and Supplemental Witness Statements of the Defendants as well as Witness Statement from independent witness were exchanged with leave of the Court. Another case management conference was fixed for 11th July 2013 and it is expected that leave for setting down the case for trial will be granted by the Court at the forthcoming case management conference. The Defendants are ready to proceed with trial of this case.

The directors, based on legal advice, consider that the Plaintiff does not have any valid claim against the Company at all and the Company has good defence to the claims. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

- (b) On 14 January 2011, legal proceedings were commenced by Smart Step Holdings Limited (“SSHL”) as the Plaintiff against the Company, Inno-Gold Mining Limited (“IGML”) and Dragon Emperor International Limited (“DEIL”). DEIL and IGML were the subsidiaries of the Company until 9 May 2011 when the Company disposed all its interest in them.

In the said case SSHL alleged that Ms. Wong Yuen Yee and Mr. Wong Yao Wing had acted negligently and/or had breached their duties during their time as executives and directors of the Company, DEIL and IGML.

The substantive hearing of this case was adjourned sine die pursuant to the court order dated 15 April 2011, and currently there is no hearing listed for this case. This case remains dormant as at the date of approval of the Quarter Results.

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 Quarter Results.

- (c) According to relevant regulations in the PRC, all outdoor advertisements must be registered with the local branches of the State Administration for Industry and Commerce (“SAIC”) to obtain a licence for such advertisement. As some of the Group’s outdoor advertisements for which the Group is responsible to obtain such licences under contract have not been obtained, the respective local SAIC may impose administrative sanctions on the Group, such as fines and confiscation of the Group’s income generated from these unregistered outdoor advertisements minus the relevant costs of rental and relevant taxes. The Group entered into supplemental agreements with certain respective suppliers of the outdoor advertising media to specify that the said suppliers would assume the responsibilities for the examination and approval of their respective outdoor advertisements. The Group has sought legal advice and the directors have assessed that it is possible but not probable that the Group may be subject to those sanctions. The directors have estimated the potential maximum fines and confiscation of income approximately HK\$ 7,833,000 as at 31 March 2013. In addition, the respective local SAIC may also request the Group to discontinue the operation of the unregistered outdoor advertisements. In such circumstances, the Group’s customers may claim against the Group for breach of contracts. Since it cannot be reliably predicted whether a claim will be made by the customers against the Group and the potential damages to be claimed highly depend on how much damage would have been made to the customers and the Group does not have such information. In the opinion of the directors, the potential liabilities of Group in relation to the above potential breach of contracts cannot be reliably estimated.

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

Throughout the period, the Company has been fully compliant with all the code provisions set out in Appendix 15 Corporate Governance Code (the “CG Code”) of the GEM Listing Rules with the exception of the following deviation:

Code Provision C.1.2

Code Provision C.1.2 of the CG Code stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 5.01 and Chapter 17.

Deviation

Management did not provide all members of the Board with monthly updates during the period. After the acquisition of Redgate Ventures Group mentioned in the Business Review, the Company subject to the restructuring and update the accounting system. The restructuring and accounting system update was completed in early of June. The Company will adopt the Code Provision C.1.2. of the CG Code after that.

SUFFICIENCY OF PUBLIC FLOAT

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

RESUMPTION OF TRADING

At the request of the Company, trading of Shares was suspended with effect from 9:00 a.m. on 15 February 2013. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on 28 June 2013.

PUBLICATION OF INFORMATION ON WEBSITES

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

By order of the Board

Chen Chuan
Chairman

Hong Kong, 27 June 2013

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

Executive Directors:

Mr. Chen Chuan (*Chairman*)
Mr. Ang Wing Fung
Mr. Shih Yau Ting, Jackson

Independent Non-Executive Directors:

Mr. Lee Ho Yiu, Thomas
Ms. Lu Di
Mrs. Kwan Leung, Anna