

# INNO-TECH HOLDINGS LIMITED

## 匯創控股有限公司

First Quarterly Report 2013/2014

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

# INNO-TECH



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HOLDINGS LIMITED  
匯創控股有限公司

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 Inno-Tech Holdings Limited (the “Directors”) 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 Inno-Tech Holdings Limited. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded bases and assumption that are fair and reasonable.*

## CORPORATE INFORMATION

### Board of Directors

Mr. Chen Chuan (*Chairman*)

Mr. Ang Wing Fung

Mr. Shih Yau Ting, Jackson

Mr. Lee Ho Yiu, Thomas\*

Ms. Lu Di\*

Mrs. Kwan Leung, Anna\*

\* *Independent non-executive Directors*

### Compliance Officer

Mr. Chen Chuan

### Authorised Representatives

Mr. Chen Chuan

Mr. Ang Wing Fung

### Company Secretary

Mr. Cheng Wai Hei, *FCCA, ACS, IACS*

### Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)

Ms. Lu Di

Mrs. Kwan Leung, Anna

### Remuneration Committee Members

Mr. Ang Wing Fung (*Chairman*)

Mr. Lee Ho Yiu, Thomas

Ms. Lu Di

### Nomination Committee Members

Mr. Chen Chuan (*Chairman*)

Mr. Lee Ho Yiu, Thomas

Mrs. Kwan Leung, Anna

### Auditors

HLB Hodgson Impey Cheng Limited

*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

- Turnover for the three months ended 30 September 2013 amounted to approximately HK\$34,029,000, representing an increase of approximately 80.5% as compared to amount reported in the corresponding period in 2012.
- Loss for the period attributable to owners of the Company amounted to approximately HK\$17,637,000 for the three months ended 30 September 2013.
- Basic loss per share from continuing operations amounted to HK\$0.11 for the three months ended 30 September 2013.
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2013.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 September 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 three months ended 30 September 2013 as follow:-

		<b>Unaudited three months ended 30 September</b>	
	Notes	<b>2013 HK\$'000</b>	2012 HK\$'000 (restated)
<b>Continuing operations</b>			
<b>Turnover</b>	3	<b>34,029</b>	18,857
Cost of sales		<b>(33,921)</b>	(22,495)
Gross profit/(loss)		<b>108</b>	(3,638)
Other revenue and net income		<b>475</b>	115
Marketing and promotion expenses		<b>(487)</b>	(359)
Administrative expenses		<b>(7,659)</b>	(5,448)
Finance costs		<b>(12,536)</b>	(5,298)
Loss on fair value change in trading securities		-	(2)
<b>Loss before income tax</b>		<b>(20,099)</b>	(14,630)
Income tax	4	<b>2,589</b>	4,624
<b>Loss for the period from continuing operations</b>		<b>(17,510)</b>	(10,006)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	5	-	(801)
<b>Loss for the period</b>		<b>(17,510)</b>	(10,807)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(17,637)</b>	(9,273)
Non-controlling interests		<b>127</b>	(1,534)
		<b>(17,510)</b>	(10,807)
<b>Loss per share attributable to owners of the Company</b>			
From continuing and discontinued operations			
- Basic and diluted (HK\$ per share)	6	<b>(0.11)</b>	(0.32)
From continuing operations			
- Basic and diluted (HK\$ per share)	6	<b>(0.11)</b>	(0.29)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 September 2013

	Unaudited three months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
<b>Loss for the period</b>	<b>(17,510)</b>	(10,807)
<b>Other comprehensive loss</b>		
Exchange difference acting on translation of foreign operations	(240)	225
<b>Total comprehensive loss for the period</b>	<b>(17,750)</b>	(10,582)
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	(17,877)	(9,048)
Non-controlling interests	127	(1,534)
	<b>(17,750)</b>	(10,582)

Notes:

## **1. BASIS OF PREPARATION OF THE ACCOUNTS**

The unaudited consolidated financial statements of the Group for the three months ended 30 September 2013 (“Quarterly 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 consolidation 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 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”).

In preparing the unaudited consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group notwithstanding that the Group incurred a loss attributable to the owners of the Company approximately HK\$17,637,000 (2012: HK\$9,273,000) and had net liabilities of approximately HK\$918,942,000 as at 30 September 2013.

The directors adopted the going concern basis in the preparation of the unaudited consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

### **1. Alternative sources of external funding**

The Group entered into a placing agreement dated 24 September 2013 with the placing agent to place to not less than six independent placees for up to 30,000,000 shares at a price of HK\$0.20 per placing share. The proceeds of the placing will be used for general working capital of the Group.

### **2. Attainment of profitable and positive cash flow operations**

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.

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

### 3. Necessary debt reduction plan

The Group will consider to implement necessary debt reduction plan to improve the working capital and reduce the liabilities of the Group.

In the opinion of the directors, in light of the various measures or arrangements implemented or will be implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern.

Accordingly, the directors considered that it is appropriate to prepare the unaudited consolidated financial statements on a going concern basis.

The applicability of the going concern basis is dependent on the favourable outcome of the proposed measures being implemented by the Group, in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These unaudited 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.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparation of the Quarterly Results are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2013 ("Annual Financial Statements"). The Quarterly Results should be read in conjunction with the Annual Financial Statements.

The Quarterly 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 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HKFRS (Amendments)	Annual Improvements 2009 – 2011 Cycle <sup>1</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015



### 3. TURNOVER

Turnover represents revenue from the advertising operations in the People's Republic of China ("PRC"). The amount of each significant category of revenue recognised in turnover during the period is as follows:

	<b>Unaudited three months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Outdoor advertising on buses and bus stations	<b>14,204</b>	10,503
Outdoor advertising on billboards and outdoor display spaces	<b>18,258</b>	5,850
Income from television advertisements	<b>1,567</b>	2,504
	<b>34,029</b>	18,857

### 4. INCOME TAX

Income tax in the condensed consolidated statement of profit or loss represents:

	<b>Unaudited three months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Current tax</b>		
PRC enterprise income tax	<b>1,069</b>	4
<b>Deferred tax</b>		
Current tax	<b>(3,658)</b>	(4,628)
Tax credit for the period	<b>(2,589)</b>	(4,624)

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).

## 5. DISCONTINUED OPERATION

During the year ended 30 June 2013, the intelligent system business was terminated. The comparative consolidated statement of profit or loss and related notes have been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period.

The results of the discontinued operation included in the condensed consolidated statement of profit or loss for the period ended 30 September 2013 are set out below:

	<b>Unaudited three months ended 30 September</b>	
	<b>2013 HK\$'000</b>	<b>2012 HK\$'000</b>
Turnover	-	7
Cost of sales	-	-
Gross profit	-	7
Other revenue and other net income	-	-
Marketing and promotion expenses	-	(5)
Administrative expenses	-	(803)
Loss before income tax	-	(801)
Income tax	-	-
Loss for the period from discontinued operation	-	(801)
<b>Loss attributable to:</b>		
Owners of the Company	-	(801)
<b>Loss for the period from discontinued operation included in the followings:-</b>		
Depreciation	-	735
Staff costs	-	49
<b>Cash flows from discontinued operation:</b>		
Net cash flows used in operating activities	-	(77)
Net cash outflows	-	(77)

## 6. 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.

### From continuing and discontinued operations

The calculations of basic and diluted loss per share are based on:

	<b>Unaudited three months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to:		
Owners of the Company	<b>(17,637)</b>	(9,273)
	<b>Number of shares three months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>	<b>(unaudited – restated)</b>
	<b>'000</b>	<b>'000</b>
Weight average number of ordinary shares for the basic and diluted loss per share calculation	<b>155,201</b>	28,738

6. **LOSS PER SHARE (Continued)**

**From continuing operations**

The calculations of basic and diluted loss per share are based on:

	<b>Unaudited three months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to:		
Owners of the Company	<b>(17,637)</b>	<b>(8,472)</b>
	<b>Number of shares three months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>	<b>(unaudited – restated)</b>
	<b>'000</b>	<b>'000</b>
Weight average number of ordinary shares for the basic and diluted loss per share calculation	<b>155,201</b>	<b>28,738</b>

## 7. MOVEMENTS OF RESERVES

	Share capital	Share premium	Share options reserve	Convertible notes reserve	Attributable to owners of the Company				Attributable to owners of the Company	Non-controlling interest	Total
					Contributed surplus	Capital redemption reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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	-	-	-	-	-	-	-	(9,273)	(9,273)	(1,534)	(10,807)
Exchange difference on consolidation	-	-	-	-	-	-	225	-	225	-	225
Total comprehensive loss for the period	-	-	-	-	-	-	225	(9,273)	(9,048)	(1,534)	(10,582)
Issue of convertible bonds on acquisition	-	(6,000)	-	28,866	-	-	-	-	22,866	-	22,866
Deferred tax liability arising on convertible notes	-	-	-	(4,329)	-	-	-	-	(4,329)	-	(4,329)
Exercise of convertible notes	445	153,887	-	(19,998)	-	-	-	-	134,334	-	134,334
Exercise of convertible bonds	429	159,362	-	-	-	-	-	-	159,791	-	159,791
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,074	2,074
At 30 September 2012	969	533,024	38,714	4,539	52,959	43	(221)	(119,657)	510,370	5,769	516,139
At 1 July 2013	1,540	669,059	38,714	10,084	52,959	43	(935)	(1,673,566)	(902,102)	(3,927)	(906,029)
Loss for the period	-	-	-	-	-	-	-	(17,637)	(17,637)	127	(17,510)
Exchange difference on consolidation	-	-	-	-	-	-	(240)	-	(240)	-	(240)
Total comprehensive loss for the period	-	-	-	-	-	-	(240)	(17,637)	(17,877)	127	(17,750)
Exercise of convertible notes	13	4,864	-	(40)	-	-	-	-	4,837	-	4,837
At 30 September 2013	1,553	673,923	38,714	10,044	52,959	43	(1,175)	(1,691,203)	(915,142)	(3,800)	(918,942)

## 8. EVENT AFTER THE REPORTING PERIOD

On 24 September 2013, the Company entered into a placing agreement with the placing agent pursuant to which the placing agent has agreed to place to not less than six independent places for up to 30,000,000 at a price of HK\$0.20 per placing shares. The placing was completed on 9 October 2013.

## 9. COMPARATIVE FIGURES

As details in Note 6, the Company's basic and diluted losses per share figures for the prior period ended have been restated to conform with current period's presentation.

## **DIVIDEND**

The Directors did not recommend the payment of a dividend for the three months ended 30 September 2013 (2012: Nil).

## **BUSINESS REVIEW**

For the three months ended 30 September 2013, the Group's unaudited consolidated turnover amounted to approximately HK\$34,029,000 (2012: HK\$18,857,000).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$17,637,000 for the three months ended 30 September 2013 (2012: HK\$9,273,000). The loss was mainly result from amortisation of intangible assets and finance costs on the promissory notes and convertible notes/bonds.

Basic loss per share for the three months ended 30 September 2013 was HK\$0.11 (2012: HK\$0.32).

### **Advertising business of Redgate Ventures Group**

Redgate Ventures Limited (“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 and its subsidiaries (collectively refer as “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. 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.

For the three months ended 30 September 2013, the Group recorded revenue of approximately HK\$19,825,000 were contributed by Redgate Ventures Group and accounted for approximately 58.3% of the Group’s turnover.

### **Bus advertising business in Shijiazhuang**

China’s economic development was affected by the complex and challenging foreign situation, 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 three months ended 30 September 2013, although the outdoor advertising business faced with a tough operating environment, the Group's bus advertising business in PRC reported a 35.2% increase in revenue to HK\$14,204,000 from HK\$10,503,000 in the corresponding period in 2012.

## **CAPITAL STRUCTURE**

During the three months ended 30 September 2013, the convertible notes approximately to HK\$5,220,000 were converted into 1,373,766 ordinary shares of the company.

The Company's issued share capital was HK\$1,553,555.81 and the number of its issued ordinary shares was 155,355,581 shares of HK\$0.01 each ("Shares").

As at 30 September 2013, the total issued share capital is 155,355,581 Shares.


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

There were no material acquisitions and disposals of investments by the Group during the three months ended 30 September 2013.

## **CONVERTIBLE INSTRUMENTS**

The placing of the convertible bonds in aggregate principal amount of HK\$200,000,000 ("Placing CB") was completed on 29 August 2012. The net proceeds from the placing amounted to approximately HK\$194,000,000 will be used to fund the cash portion of the consideration paid for acquisition of Redgate Ventures. The Placing CB, with maturity date of 28 August 2014, is convertible into Shares at an initial conversion price of HK\$3.8 per Share during the conversion period. As at 30 September 2013, convertible bonds 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\$3.8 per Share during the conversion period. As at 30 September 2013, the Redgate CN1 & CN2 with the principal amount of HK\$308,339,175 have been converted into Shares of the Company.



On 31 August 2012, the Company issued convertible notes with the principal amount of HK\$140,704,206 as consideration for acquisition of 100% of Redgate Ventures (“Redgate CN3”). The Redgate CN3, with maturity date is 30 August 2015, is convertible into Shares at the conversion price of HK\$2.35 per Share during the conversion period. As at 30 September 2013, the Redgate CN3 with the principal amount of HK\$134,890 have 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 30 September 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 30 September 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 106 as at 30 September 2013 (2012: 126), and the total staff costs (including Directors’ remuneration) for the three months ended 30 September 2013 was approximately HK\$3,947,000 (2012: HK\$2,040,000). Other benefits provided by the Group to the employees include MPF and medical coverage.



# SHARE OPTION SCHEME

## Post-IPO Share Option Scheme

The Company adopted a share option scheme on 23 November 2012 (“New Scheme”) to replace the share option scheme adopted on 5 July 2002 (the “Old Scheme”) which has been expired on 5 July 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously will remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees.

No option has been granted or exercised under the New Scheme and the Old Scheme during the period. The movements of the outstanding share options during the period are as follows:

	Date of grant	Number of share options				Outstanding as at 30 September 2013	Option period	Exercise price per share
		Outstanding as at 1 July 2013	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	6 January 2004	2	-	-	-	2	6 January 2004 to 5 January 2014	HK\$837.20
	20 September 2005	263	-	-	-	263	20 September 2005 to 19 September 2015	HK\$433.80
	23 August 2007	18,338	-	-	-	18,338	23 August 2007 to 22 August 2017	HK\$2,397.40
	9 September 2008	8,107	-	-	-	8,107	9 September 2008 to 8 September 2018	HK\$662.20
	11 September 2008	5,781	-	-	-	5,781	11 September 2008 to 10 September 2018	HK\$742.00
	16 December 2008	5,781	-	-	-	5,781	16 December 2008 to 15 December 2018	HK\$290.00
	17 February 2009	3,154	-	-	-	3,154	17 February 2009 to 16 February 2019	HK\$376.80
	29 May 2009	3,154	-	-	-	3,154	29 May 2009 to 28 May 2019	HK\$334.80
	31 December 2009	1,798	-	-	-	1,798	31 December 2009 to 30 December 2019	HK\$171.20
	15 January 2010	15,767	-	-	-	15,767	15 January 2010 to 14 January 2020	HK\$277.80
<b>Total</b>		<b>62,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,145</b>		

## **INTERESTS OF THE DIRECTORS OR CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

### **Directors' and chief executives' interest in the Company**

As at 30 September 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 30 September 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	103.90%
Carraway Holdings Limited	Beneficial owner	28,178,948	63,026,315	91,205,263	58.71%
United Industrial Services Limited	Beneficial owner	8,368,550	16,195,080	24,563,630	15.81%
Uni-Asia Limited	Beneficial owner	–	24,563,630	24,563,630	15.81%
Universal Portfolio Holdings Limited	Interested of controlled corporation (Note 2)	–	24,563,630	24,563,630	15.81%
Yasmine Holdings Limited	Interested of controlled corporation (Note 3)	–	24,563,630	24,563,630	15.81%
Hamilton Trust and Management Company Limited	Interested of controlled corporation (Note 4)	–	24,563,630	24,563,630	15.81%
Al-Saleh Fawzi M	Interested of controlled corporation (Note 5)	–	24,563,630	24,563,630	15.81%
AsiaStar IT Fund LP	Beneficial owner	5,903,359	12,856,061	18,759,420	12.08%
Kuwait China Investment Company K.S.C	Beneficial owner	–	18,444,589	18,444,589	11.87%
Peter Bush Brack	Beneficial owner	4,715,838	9,126,266	13,842,104	8.91%
Richmond Capital Group Limited	Beneficial owner	3,401,588	6,582,860	9,984,448	6.43%
Creative Sky Holdings Limited	Beneficial owner	2,914,635	5,640,494	8,555,129	5.51%

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 30 September 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 30 September 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 30 September 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 30 September 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 30 September 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

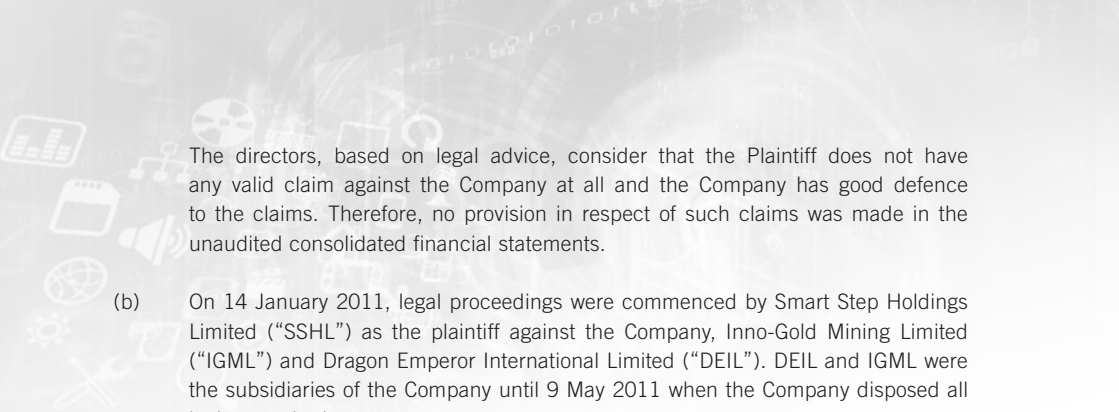
The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 (“Securities Code”) of the GEM Listing Rules. During the three months ended 30 September 2013, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Securities Code.

## LITIGATIONS

- (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 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 24 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 17 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, the 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. On 10 July 2013 the Court granted leave to set the case down for trial. The trial of the case was fixed for 3 November 2014 to 14 November 2014 (10 days reserved).



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

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.

## **CONTINGENT LIABILITY**

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\$3,802,000 as at 30 September 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.

## **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 first 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 Quarterly 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 disclosures 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 first 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 first 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**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“Corporate Governance Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Corporate Governance Code and complied with the code provisions set out in the Corporate Governance Code for the three months ended 30 September 2013.

## **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 first quarterly report, there is sufficient public float of the Company’s issued shares as required under the GEM Listing Rules throughout the three months ended 30 September 2013.



## PUBLICATION OF INFORMATION ON WEBSITES

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

By order of the Board

**Chen Chuan**

*Chairman*

Hong Kong, 14 November 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