

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
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

- Revenue for the nine months ended 31 March 2014 amounted to approximately HK\$90,489,000, representing an increase of approximately 12.3% as compared to amount reported in the corresponding period in 2013.
- Loss from ordinary activities attributable to equity holders amounted to approximately HK\$67,996,000 for the nine months ended 31 March 2014.
- Basis loss per share amounted to HK\$0.33 for the nine months ended 31 March 2014.
- The Board did not recommend the payment of a dividend for the nine months ended 31 March 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 March 2014

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 2014 as follow:-

	Notes	Unaudited three months ended 31 March		Unaudited nine months ended 31 March	
		2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)
Revenue	3	21,224	28,595	90,489	80,583
Cost of sales		(29,637)	(34,553)	(118,199)	(94,333)
Gross loss		(8,413)	(5,958)	(27,710)	(13,750)
Other revenue and net income		(337)	96	3,600	481
Marketing and promotion expenses		(774)	(358)	(2,024)	(1,526)
Administrative expenses		(5,758)	(9,340)	(25,409)	(24,087)
Finance costs		(10,427)	(13,161)	(35,768)	(32,412)
(Loss)/gain on fair value change in trading securities		27	(4)	29	(14)
Loss before income tax		(25,682)	(28,725)	(87,282)	(71,308)
Income tax	4	6,062	1,359	9,042	4,957
Loss for the period from continuing operations		(19,620)	(27,366)	(78,240)	(66,351)
Discontinued operation					
Loss for the period from discontinued operation	5	-	-	-	(1,161)
Loss for the period		(19,620)	(27,366)	(78,240)	(67,512)
Loss for the period attributable to:					
Owners of the Company		(18,266)	(19,991)	(67,996)	(53,711)
Non-controlling interests		(1,354)	(7,375)	(10,244)	(13,801)
		(19,620)	(27,366)	(78,240)	(67,512)
Loss per share attributable to owners of the Company					
From continuing and discontinued operations					
- Basic and diluted	6	(0.07)	(0.15)	(0.33)	(0.63)
From continuing operations					
- Basic and diluted	6	(0.07)	(0.15)	(0.33)	(0.61)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 March 2014

	Unaudited three months ended 31 March		Unaudited nine months ended 31 March	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loss for the period	(19,620)	(27,366)	(78,240)	(67,512)
Other comprehensive loss				
Exchange difference acting on translation of foreign operations	40	(932)	(587)	(1,074)
Total comprehensive loss for the period	(19,580)	(28,298)	(78,827)	(68,586)
Total comprehensive loss attributable to:				
Owners of the Company	(18,226)	(20,923)	(68,583)	(54,785)
Non-controlling interests	(1,354)	(7,375)	(10,244)	(13,801)
	(19,580)	(28,298)	(78,827)	(68,586)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2014

	Attributable to owners of the Company										
	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	Total
	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 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 notes	-	(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
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	-	-	-	-	-	-	-	(67,996)	(67,996)	(10,244)	(78,240)
Exchange difference on consolidation	-	-	-	-	-	-	(517)	-	(517)	(70)	(587)
Total comprehensive loss for the period	-	-	-	-	-	-	(517)	(67,996)	(68,513)	(10,314)	(78,827)
Exercise of convertible notes	478	336,254	-	(2,736)	-	-	-	-	333,996	-	333,996
Issue of shares	684	11,717	-	-	-	-	-	-	12,401	-	12,401
Share placement expenses	-	(43)	-	-	-	-	-	-	(43)	-	(43)
At 31 March 2014	2,702	1,016,987	38,714	7,348	52,959	43	(1,452)	(1,741,562)	(624,261)	(14,241)	(638,502)

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated financial statements of the Group for the nine months ended 31 March 2014 (“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 consolidation 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”).

In preparing the 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\$67,996,000 (2013: HK\$53,711,000) and had net liabilities of approximately HK\$638,502,000 as at 31 March 2014.

The directors adopted the going concern basis in the preparation of the 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

On 24 September 2013, the Group entered into a placing agreement 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.

On 3 December 2013, the Group entered into a placing agreement with the placing agent to place to not less than six independent placees for up to 38,383,688 shares on a fully underwritten basis at a price of HK\$0.18 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 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 Quarter 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 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 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HKFRS (Amendments)	Annual Improvements 2009 – 2011 Cycle ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
HK(IFRIC) – Int 21	Levies ¹

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

² 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:

	Unaudited Nine months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Outdoor advertising on buses and bus stations	38,713	29,457
Outdoor advertising on billboards and outdoor display spaces	48,798	34,688
Income from television advertisements	2,978	16,438
	90,489	80,583

4. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	Unaudited Nine months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	1,892	2,109
Deferred tax		
Current period	(10,934)	(7,066)
	(9,042)	(4,957)

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 (2013: HK\$ Nil).

5. DISCONTINUED OPERATION

During the year ended 30 June 2013, the intelligent system business was terminated. The comparative consolidated statement of comprehensive income 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 consolidated statement of comprehensive income as at 31 March 2014 are set out below:

	Unaudited	
	Nine months ended	
	31 March	
	2014	2013
	HK\$'000	HK\$'000
Turnover	–	253
Cost of sales	–	–
Gross profit	–	253
Other revenue and other net income	–	–
Marketing and promotion expenses	–	(6)
Administrative expenses	–	(1,403)
Loss before income tax	–	(1,156)
Income tax	–	(5)
Loss for the period from discontinued operation	–	(1,161)
Loss attributable to:		
Owners of the Company	–	(1,161)
Loss for the period from discontinued operation included the followings:–		
Depreciation	–	1,178
Staff costs	–	180
Cash flows from discontinued operation:		
Net cash flows used in operating activities	–	(21)
Net cash outflows	–	(21)

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:

	Unaudited three months ended 31 March		Unaudited nine months ended 31 March	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loss for the period attributable to:				
Owners of the Company	(18,266)	(19,991)	(67,996)	(53,711)
	Number of shares three months ended 31 March		Number of shares nine months ended 31 March	
	2014 (Unaudited)	2013 (Unaudited – restated)	2014 (Unaudited)	2013 (Unaudited – restated)
	'000	'000	'000	'000
Weight average number of ordinary shares for basic and diluted loss per share calculation	261,625	131,078	208,711	85,754

6. LOSS PER SHARE (Continued)

From continuing operations

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

	Unaudited three months ended 31 December		Unaudited nine months ended 31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to:				
Owners of the Company	(18,266)	(19,991)	(67,996)	(52,550)
	Number of shares three months ended 31 March		Number of shares nine months ended 31 March	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited – restated)	(Unaudited)	(Unaudited – restated)
	'000	'000	'000	'000
Weight average number of ordinary shares for basic and diluted loss per share calculation	261,625	131,078	208,711	85,754

7. EVENTS AFTER THE REPORTING PERIOD

- (a) On 25 April 2014, the Board proposes to implement the share consolidation (the "Share Consolidation") on the basis that every ten issued and unissued Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.10 each.
- (b) On 25 April 2014, the Company and the purchaser entered into the sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to acquire the sale shares of Redgate Ventures Group after the completion of reorganisation at a consideration of HK\$500,000.
- (c) On 25 April 2014, the Company proposed to amend the terms and conditions of the convertible bonds (the "Placing CB") and the convertible notes (the "Convertible Notes") so as to enable the Company to early redeem the outstanding principal amounts of the Placing CB and the Convertible Notes before the respective maturity dates then outstanding to be satisfied by the issue and allotment of the settlement shares at an issue price, assuming that the Share Consolidation has become effective.
- (d) On 25 April 2014, the Company proposes to raise not less than approximately HK\$145.2 million (before expenses) and not more than approximately HK\$278.1 million (before expenses) by way of an open offer of not less than 675,266,925 offer shares and not more than 1,293,640,550 offer shares at a subscription price of HK\$0.215 (after the effective of Shares Consolidation) per offer share on the basis of twenty five Offer Shares for every one Consolidated Share. The Company and the underwriter entered into the underwriting agreement pursuant to which the open offer is fully underwritten by the underwriter.

DIVIDEND

The Directors did not recommend the payment of a dividend for the nine months ended 31 March 2014 (2013: Nil).

BUSINESS REVIEW

For the nine months ended 31 March 2014, the Group's unaudited consolidated turnover amounted to approximately HK\$90,489,000 (2013: HK\$80,583,000).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$67,996,000 for the nine months ended 31 March 2014 (2013: HK\$53,711,000). The loss was mainly result from amortisation of intangible assets and finance costs on the promissory notes and convertible notes.

Basic loss per share for the nine months ended 31 March 2014 was HK\$0.33 (2013: HK\$0.63).

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 nine months ended 31 March 2014, although the outdoor advertising business faced with a tough operating environment, the Group's bus advertising business in PRC reported a 31.4% increase in revenue to HK\$38,713,000 from HK\$29,457,000 in the corresponding period in 2013.

Advertising business of Redgate Ventures Group

Redgate Ventures Limited ("Redgate Ventures") is a major media investment holding company. 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. Redgate Ventures Group provides advertising and advertising agency services to clients who advertise across a wide range of media.

For the nine months ended 31 March 2014, the Group recorded revenue of approximately HK\$51,776,000 were contributed by Redgate Ventures Group and accounted for approximately 57.2% of the Group's turnover.

Capital Structure

During the nine months ended 31 March 2014, the convertible notes amounted to HK\$176,052,450 were converted into 47,761,269 ordinary shares of the company.

On 24 September 2013, 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 30,000,000 placing shares on a fully underwritten basis to the placee who is an independent third party at the placing price of HK\$0.20 per placing share. The placing was completed on 9 October 2013.

On 3 December 2013, 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 38,383,688 Placing Shares on a fully underwritten basis to the Placees who are an Independent Third Parties at the Placing Price of HK\$0.18 per Placing Share. The placing was completed on 11 December 2013.

As at 31 March 2014, the Company's issued share capital was HK\$2,701,067.85 and the number of its issued ordinary shares was 270,106,785 shares of HK\$0.01 each ("Shares").

OUTLOOK

The Group is principally engaged in outdoor advertising on buses and bus stations, television advertisements and outdoor advertising on billboards and outdoor display spaces.

Looking ahead, the Group will, while continue to strengthen the existing business in the PRC and actively explore new business opportunities including those sectors which the Directors believe are less affected by the global economy difficulties.

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 nine months ended 31 March 2014.

CONVERTIBLE 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 will be 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 an initial conversion price of HK\$3.8 per Share during the conversion period. As at 31 March 2014, 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\$3.8 per Share during the conversion period. As at 31 March 2014, the Redgate CN1 & CN2 with the principal amount of HK\$470,354,044 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 31 March 2014, the Redgate CN3 with the principal amount of HK\$8,952,158 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 31 March 2014, 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 2014, 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 95 as at 31 March 2014 (2013: 123), and the total staff costs (including Directors’ remuneration) for the nine months ended 31 March 2014 was approximately HK\$12,238,000 (2013: HK\$11,992,000). Other benefits provided by the Group to the employees include MPF and medical coverage.

SHARE OPTION SCHEME

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 2014, 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 2 shares options has been lapsed. The remaining 62,143 share options under the Post-IPO Share Option Scheme will lapse from 20 September 2015 to 14 January 2020. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 31 March 2014	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\$2,778.00
Total		62,145	-	-	(2)	62,143		

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

Directors' and chief executives' interest in the Company

As at 31 March 2014, 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 2014, 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	59.75%
Carroway Holdings Limited	Beneficial owner	28,178,948	63,026,315	91,205,263	33.77%
United Industrial Services Limited	Beneficial owner	-	24,563,630	24,563,630	9.09%
Kuwait China Investment Company K.S.C	Beneficial owner	-	18,445,891	18,445,891	6.83%
AsiaStar IT Fund LP	Beneficial owner	-	17,327,724	17,327,724	6.42%
Uni-Asia Limited	Beneficial owner	-	14,714,767	14,714,767	5.45%
Universal Portfolio Holdings Limited	Interested of controlled corporation (Note 2)	-	14,714,767	14,714,767	5.45%
Yasmine Holdings Limited	Interested of controlled corporation (Note 3)	-	14,714,767	14,714,767	5.45%
Hamilton Trust and Management Company Limited	Interested of controlled corporation (Note 4)	-	14,714,767	14,714,767	5.45%
Al-Saleh Fawzi M	Interested of controlled corporation (Note 5)	-	14,714,767	14,714,767	5.45%
Peter Bush Brack	Beneficial owner	-	13,842,105	13,842,105	5.12%

Notes:

1. Carroway 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 Carroway 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 2014, 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 2014, 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 2014, 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 2014, 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 2014, 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 2014, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Securities Code.

LITIGATION

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

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 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 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 nonexecutive 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 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 nine months ended 31 March 2014.

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 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 2014.

PUBLICATION OF INFORMATION ON WEBSITES

This 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, 14 May 2014

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