

INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

First Quarterly Report 14/15

(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

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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*
Mr. Tse Yuen Ming*
(appointed on 13 November 2014)
Mrs. Kwan Leung, Anna*
(resigned on 13 November 2014)

* Independent non-executive Directors

Compliance Officer

Mr. Chen Chuan

Authorised Representatives

Mr. Chen Chuan
Mr. Ang Wing Fung

Company Secretary

Mr. Chiang Chi Kin, Stephen

Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)
Ms. Lu Di
Mr. Tse Yuen Ming
(appointed on 13 November 2014)
Mrs. Kwan Leung, Anna
(resigned on 13 November 2014)

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
Mr. Tse Yuen Ming
(appointed on 13 November 2014)
Mrs. Kwan Leung, Anna
(resigned on 13 November 2014)

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

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

Codan Services Limited
Clarendon House
2 Church 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 2014 amounted to approximately HK\$9,138,000, representing an decrease of approximately 42.1% as compared to amount reported in the corresponding period in 2013.
- Loss for the period attributable to owners of the Company amounted to approximately HK\$22,981,000 for the three months ended 30 September 2014.
- Basic loss per share from continuing operations amounted to HK\$0.077 for the three months ended 30 September 2014.
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 September 2014

The board of directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2014 as follow:–

		Unaudited three months ended 30 September	
	Notes	2014 HK\$'000	2013 HK\$'000 (restated)
Continuing operations			
Turnover	3	9,138	15,771
Cost of sales		(17,754)	(20,227)
Gross loss		(8,616)	(4,456)
Other revenue and net income		1,217	456
Marketing and promotion expenses		(561)	(372)
Administrative expenses		(6,195)	(3,840)
Finance costs		(10,101)	(11,566)
Loss before income tax		(24,256)	(19,778)
Income tax	4	3,440	3,658
Loss for the period from continuing operations		(20,816)	(16,120)
Discontinued operations			
Loss for the period from discontinued operations	5	(3,949)	(1,390)
Loss for the period		(24,765)	(17,510)
Loss for the period attributable to:			
Owners of the Company		(22,981)	(17,637)
Non-controlling interests		(1,784)	127
		(24,765)	(17,510)
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic and diluted (HK\$ per share)	6	(0.085)	(0.11)
From continuing operations			
– Basic and diluted (HK\$ per share)	6	(0.077)	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 September 2014

	Unaudited three months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Loss for the year	(24,765)	(17,510)
Other comprehensive income/(loss)		
Exchange differences on translation of financial statements of overseas subsidiaries	189	(240)
Total comprehensive loss for the period	(24,576)	(17,750)
Total comprehensive loss attributable to:		
Owners of the Company	(22,799)	(17,877)
Non-controlling interests	(1,777)	127
	(24,576)	(17,750)

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated financial statements of the Group for the three months ended 30 September 2014 (“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 (“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\$22,981,000 (2013: HK\$17,637,000) and had net liabilities of approximately HK\$1,038,948,000 as at 30 September 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

The Company proposed to raise approximately HK\$145,200,000 (before expenses) by way of an open offer of not less than 675,266,925 offer shares at a subscription price of HK\$0.215 per offer share on the basis of twenty five offer shares for every one consolidated share.

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

- (i) Proposed amendments to the terms and conditions of the convertible bonds (the "Placing CB") and convertible notes (the "Convertible Notes") and settlement of the Placing CB and Convertible Notes by issuance of shares under specific mandate.

On 25 April 2014, the Company proposed to amend the terms and conditions of the Placing CB and 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 at the average redemption amount equal to 24.3% of the principal amounts then outstanding to be satisfied by the issue and allotment of the settlement shares at an issue price of HK\$2.22 each, assuming that the share consolidation has become effective.

On 16 July 2014, the Company executed the amendment deed of Placing CB (the "CB Amendment Deed") to amend the terms and conditions of the Placing CB.

On 16 July 2014, the Company and holders of the Convertible Notes holding 51% or more of the outstanding principal amounts of the Convertible Notes executed the amendment deeds of Convertible Notes (the "CN Amendment Deeds") to amend the terms and conditions of the Convertible Notes.

- (ii) On 7 August 2014, the Company executed the maturity amendment deed of convertible bonds to extend the maturity date from 29 August 2014 to 28 November 2014.
- (iii) On 29 August 2014, the Company has entered into two deeds of extension to amend the terms and conditions of the respective Promissory Notes with each of the two note holders respectively, pursuant to which the parties to the respective deeds of extension agreed to extend the maturity date of the promissory notes from 31 August 2014 to 30 November 2014.

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 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 Quarterly Results are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2014 (“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 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation ⁴
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁴
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁴
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle ¹
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ⁶
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 ⁶
HKFRS 11 (Amendments)	Accounting For Acquisition of Interests in Joint Operations ⁴
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contract with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014.

² Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for annual periods beginning on or after 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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 three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Outdoor advertising on buses and bus stations	9,138	14,204
Television advertisements	–	1,567
	9,138	15,771

4. INCOME TAX

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

	Unaudited three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000 (restated)
Current tax		
PRC enterprise income tax	–	–
Deferred tax		
Current tax	(3,440)	(3,658)
Tax credit for the period	(3,440)	(3,658)

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: Nil).

5. DISCONTINUED OPERATIONS

On 25 April 2014, the Company entered into the conditional sale and purchase agreement (the "Sale and Purchase Agreement") that outdoor advertising on billboards and outdoor display spaces operation were discontinued following the disposal of Redgate Ventures Limited ("Redgate Ventures"), a direct wholly-owned subsidiary of the Company, and its subsidiaries (collectively known as the "Redgate Ventures Group"), which carried out all of the Group's outdoor advertising on billboards and outdoor display spaces operation. As the conditions precedent to the Sale and Purchase Agreement have not been fulfilled on or before 31 August 2014, being the long stop date for the fulfillment of the conditions, the Company and the purchaser agreed to terminate the Sale and Purchase Agreement. Accordingly, the Company and the purchaser entered into the termination deed on 1 September 2014 pursuant to which the parties agreed that the Sale and Purchase Agreement be terminated and all antecedent obligations and liabilities of the parties under the Sale and Purchase Agreement should be absolutely discharged and released immediately upon the signing of the termination deed and no party should have any claim against the other party in respect of any matter or thing arising out of or in connection with the Sale and Purchase Agreement. On 1 September 2014, the Company and the new purchaser entered into the new sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the new purchaser conditionally agreed to purchase Redgate Ventures Group at consideration of HK\$600,000. The disposal of the outdoor advertising on billboards and outdoor display spaces operation is consistent with the Group's long-term policy to focus its activities in the outdoor advertising on buses and bus stations and television advertisements.

During the year ended 30 June 2013, the directors determined to cease the operation of Cyberliving Holdings Limited and its subsidiaries (the "Cyberliving Group") which were engaged in intelligent system business. The intelligent system business was terminated during the year ended 30 June 2014.

5. DISCONTINUED OPERATIONS (Continued)

During the period ended 30 September 2014, the results and cash flows of Redgate Ventures Group and Cyberliving Group are treated as discontinued operations. 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.

Analysis of loss for the period from discontinued operations

The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	Unaudited three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000 (restated)
Turnover	17,663	18,258
Cost of sales	(19,786)	(13,693)
Gross (loss)/profit	(2,123)	4,565
Other revenue and other net income	18	19
Marketing and promotion expenses	(14)	(116)
Administrative expenses	(1,676)	(4,789)
Loss before income tax	(3,795)	(321)
Income tax	(154)	(1,069)
Loss for the period from discontinued operations	(3,949)	(1,390)
Loss attributable to:		
Owners of the Company	(2,165)	(1,174)
Non-controlling interests	(1,784)	(216)
	(3,949)	(1,390)
Loss for the period from discontinued operations included in the followings:–		
Depreciation	20	38
Staff costs	1,158	1,933
Cash flows from discontinued operations:		
Net cash inflow from operating activities	502	7,794
Net cash inflow investing activities	18	19
Net cash inflows	520	7,813

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 30 September	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period attributable to:		
Owners of the Company	(22,981)	(17,637)
	Number of shares three months ended 30 September	
	2014	2013
	'000	'000
Weight average number of ordinary shares for the basic and diluted loss per share calculation	270,107	155,201

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

From continuing operations

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

	Unaudited three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000 (restated)
Loss for the period attributable to: Owners of the Company	(20,816)	(16,032)
	Number of shares three months ended 30 September	
	2014	2013
	'000	'000
Weight average number of ordinary shares for the basic and diluted loss per share calculation	270,107	155,201

7. MOVEMENTS OF RESERVES

	Attributable to owners of the Company										Non-controlling interest	Total
	Share capital	Share premium	Share options reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Other reserve	Accumulated losses	Attributable to owners of the Company		
	HK\$'000	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 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 translation of financial statement of overseas subsidiaries	-	-	-	-	-	-	(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)
At 1 July 2014	2,701	940,317	38,714	8,060	52,959	43	(841)	(743)	(2,045,024)	(1,003,814)	(10,558)	(1,014,372)
Loss for the period	-	-	-	-	-	-	-	-	(22,981)	(22,981)	(1,784)	(24,765)
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	-	-	-	182	-	-	182	7	189
Total comprehensive loss for the period	-	-	-	-	-	-	182	-	(22,981)	(22,799)	(1,777)	(24,576)
At 30 September 2014	2,701	940,317	38,714	8,060	52,959	43	(659)	(743)	(2,068,005)	(1,026,613)	(12,335)	(1,038,948)

8. EVENTS AFTER THE REPORTING PERIOD

(i) Share consolidation (the “Share Consolidation”)

On 25 April 2014, the Company proposed to implement 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\$0.1 each (the “Consolidated Share”).

On 29 October 2014, the proposed Share Consolidation was duly passed by the Independent Shareholders by way of poll during Special General Meeting. The Share Consolidation has become unconditional and effective on 30 October 2014.

For details, please refer to Company’s announcement dated 29 October 2014 and the circular dated 14 October 2014.

(ii) Proposed disposal of Redgate Ventures Group after the completion of reorganisation

On 25 April 2014, the Company and the purchaser (the “Purchaser”) entered into the sale and purchases agreement (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 Limited (the “Sale Shares”) after the completion of reorganisation at a consideration of HK\$500,000.

As the conditions precedent to the Sale and Purchase Agreement have not been fulfilled on or before 31 August 2014, being the long stop date for the fulfillment of the conditions, the Company and the Purchaser agreed to terminate the Sale and Purchase Agreement. Accordingly, the Company and the Purchaser entered into the termination deed on 1 September 2014 pursuant to which the parties agreed that the Sale and Purchase Agreement be terminated and all antecedent obligations and liabilities of the parties under the Sale and Purchase Agreement should be absolutely discharged and released immediately upon the signing of the termination deed and no party should have any claim against the other party in respect of any matter or thing arising out of or in connection with the Sale and Purchase Agreement.

On 1 September 2014, the Company and the new purchaser (the “New Purchaser”) entered into the new sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the New Purchaser conditionally agreed to acquire the Sale Shares at a consideration of HK\$600,000.

On 29 October 2014, the Company has held the Special General Meeting and the resolution of disposal was duly passed by the Independent Shareholders.

For details, please refer to the Company’s announcement dated 29 October 2014 and the circular dated 14 October 2014.

8. EVENTS AFTER THE REPORTING PERIOD (Continued)

(iii) **Proposed amendments to the terms and conditions of the convertible bonds (the “Placing CB”) and convertible notes (the “Convertible Notes”) and settlement of the Placing CB and Convertible Notes by issuance of shares under specific mandate**

On 25 April 2014, the Company proposed to amend the terms and conditions of the Placing CB and 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 at the average redemption amount equal to 24.3% of the principal amounts then outstanding to be satisfied by the issue and allotment of the Settlement Shares at an issue price of HK\$2.22 each, assuming that the Share Consolidation has become effective.

On 16 July 2014, the Company executed the amendment deed of Placing CB (the “CB Amendment Deed”) to amend the terms and conditions of the Placing CB.

On 16 July 2014, the Company and holders of the Convertible Notes holding 51% or more of the outstanding principal amounts of the Convertible Notes executed the amendment deeds of Convertible Notes (the “CN Amendment Deeds”) to amend the terms and conditions of the Convertible Notes.

On 29 October 2014, the Company has held the Special General Meeting and the resolution was duly passed by the Independent Shareholders.

For details, please refer to the Company’s announcement dated 14 May 2014, 30 May 2014, 19 June 2014, 18 July 2014, 24 July 2014, 6 August 2014, 15 August 2014, 28 August 2014 and 31 August 2014 and 29 October 2014 and the circular dated 14 October 2014.

(iv) **Proposed open offer (the “Open Offer”) on the basis of twenty five offer shares for every Consolidated Share**

On 25 April 2014, the Company proposed to raise not less than approximately HK\$145,200,000 (before expenses) and not more than approximately HK\$278,100,000 (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 Share Consolidation) per offer share on the basis of twenty five offer shares for every Consolidated Share. The Company and the underwriter entered into the underwriting agreement pursuant to which the Open Offer is fully underwritten by the underwriter.

The estimated net proceeds from the Open Offer will be not less than approximately HK\$134,700,000. The Board intended to apply the net proceeds from the Open Offer in the following manner:

- (a) as to HK\$16,000,000 for the early partial settlement of the outstanding promissory notes (the “Promissory Notes”);

8. EVENTS AFTER THE REPORTING PERIOD (Continued)

(iv) Proposed open offer (the "Open Offer") on the basis of twenty five offer shares for every Consolidated Share (Continued)

- (b) as to approximately HK\$68,300,000 for paying the licence fee for the Group's bus advertising business and acquiring more television airtime for scaling up the Group's existing business of advertising through television airtime;
- (c) as to approximately HK\$20,400,000 for the settlement of the outstanding indebtedness owed to financial institutions;
- (d) as to approximately HK\$5,000,000 for financing the operation of the remaining group; and
- (e) as to approximately HK\$25,000,000 for general working capital.

On 26 September 2014, the Company and the underwriter entered into the supplemental underwriting agreement to revise certain dates of the timetable for the Open Offer and amend the underwriting commission rate from 3.0% to 2.65%.

On 9 October 2014, the Company and the underwriter entered into the second supplemental underwriting agreement to revise certain dates of the timetable for the Open Offer.

On 29 October 2014, the Company has held the Special General Meeting and the resolution was duly passed by the Independent Shareholders.

For details, please refer to the Company's announcement dated 14 May 2014, 30 May 2014, 19 June 2014, 18 July 2014, 24 July 2014, 6 August 2014, 15 August 2014, 28 August 2014, 31 August 2014, 9 October 2014 and 29 October 2014, the circular dated 14 October 2014 and the prospectus dated 11 November 2014.

9. COMPARATIVE FIGURES

Certain comparative figures 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 2014 (2013: Nil).

BUSINESS REVIEW

For the three months ended 30 September 2014, the Group's unaudited consolidated turnover amounted to approximately HK\$9,138,000 (2013: HK\$15,771,000 (restated)).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$22,981,000 for the three months ended 30 September 2014 (2013: HK\$17,637,000). 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 2014 was HK\$0.085 (2013: HK\$0.11).

Buses and bus stations advertising business in PRC

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 2014, as a result of the tough operating environment faced by the outdoor advertising business, the Group's buses and bus stations advertising business in PRC reported a 35.7% decrease in revenue to HK\$9,138,000 from HK\$14,204,000 in the corresponding period in 2013.

Television advertisement business in PRC

Due to challenging and competitive operating environment in the PRC, the Group has scaled down the investment in this sector in order to allocate more resources on other major sectors and explore new business opportunities. There is no revenue reported during the current period (2013: HK\$1,567,000).

CAPITAL STRUCTURE

During the three months ended 30 September 2014, there were no convertible notes being converted into ordinary shares of the Company.

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").

As at 30 September 2014, the total issued share capital is 270,106,785 Shares.

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

On 25 April 2014, the Company and the purchaser ("Purchaser") entered into the sale and purchase agreement ("Sale and Purchase Agreement") pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire sale shares of Redgate Ventures at a consideration of HK\$500,000.

As the conditions precedent to the Sale and Purchase Agreement have not been fulfilled on or before 31 August 2014, being the long stop date for the fulfillment of the conditions, the parties agreed to terminate the Sale and Purchase Agreement. Accordingly, the Company and the Purchaser entered into the termination deed ("Termination Deed") on 1 September 2014 pursuant to which the parties agreed that the Sale and Purchase Agreement be terminated and all antecedent obligations and liabilities of the parties under the Sale and Purchase Agreement should be absolutely discharged and released immediately upon the signing of the Termination Deed and no party should have any claim against the other party in respect of any matter or thing arising out of or in connection with the Sale and Purchase Agreement.

On 1 September 2014, the Company and the new purchaser ("New Purchaser") entered into the new sale and purchase agreement pursuant to which the Company conditionally agreed to sell and the New Purchaser conditionally agreed to acquire the sale shares of Redgate Ventures at a consideration of HK\$600,000. On 29 October 2014, Special General Meeting was held and the proposed disposal of Redgate Ventures was duly passed by Independent Shareholders. The transaction was not completed during the three months ended and as at the date of this report.

Save as disclosed above, the Group did not make any material acquisition or disposal during the three months ended 30 September 2014.

CONVERSION OF 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 was 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 (extended the maturity date to 28 November 2014), is convertible into Shares at an initial conversion price of HK\$3.8 per Share during the conversion period. As at 30 September 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 30 September 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 30 September 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 30 September 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 30 September 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 50 as at 30 September 2014 (2013: 56 (restated)), and the total staff costs (including Directors' remuneration) for the three months ended 30 September 2014 was approximately HK\$1,632,000 (2013: HK\$1,485,000 (restated)). Other benefits provided by the Group to the employees include MPF and medical coverage.

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 ("Old Scheme") which has been expired on 5 July 2012. Up to 30 September 2014 there were 169,954 share options granted to the grantees and there were 107,809 shares options under the Old Scheme exercised and 2 share options has been lapsed. The remaining 62,143 share options under the Old 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 30 September 2014	Option period	Exercise price per share
		Outstanding as at 1 July 2014	Granted during the period	Exercised during the period	Lapsed during the period			
Other employees and consultants	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
Total		62,143	-	-	-	62,143		

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 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 30 September 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	-	14,238,220		
	Interest of controlled corporation (Note 1)	28,178,946	49,210,526	91,627,692	33.92%
Carroway Holdings Limited	Beneficial owner	28,178,946	49,210,526	77,389,472	28.65%
Kuwait China Investment Company K.S.C.	Beneficial owner	-	29,285,422	29,285,422	10.84%
United Industrial Services Limited	Beneficial owner	8,368,550	19,340,012	27,708,562	10.26%
Uni-Asia Limited	Beneficial owner	-	20,114,942	20,114,942	7.45%
Universal Portfolio Holdings Limited	Interest of controlled corporation (Note 2)	-	20,114,942	20,114,942	7.45%
Yasmine Holdings Limited	Interest of controlled corporation (Note 3)	-	20,114,942	20,114,942	7.45%
Hamilton Trust and Management Company Limited	Interest of controlled corporation (Note 4)	-	20,114,942	20,114,942	7.45%
Al-Saleh Fawzi M	Interest of controlled corporation (Note 5)	-	20,114,942	20,114,942	7.45%
AsiaStar IT Fund LP	Beneficial owner	5,903,359	12,856,060	18,759,419	6.95%
Peter Bush Brack	Beneficial owner	4,715,838	9,126,266	13,842,104	5.12%

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 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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's securities during the period.

DIRECTORS' INTERESTS IN CONTRACTS

As at 30 September 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 30 September 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 30 September 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 30 September 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 year ended 30 September 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.

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 case came before the Honourable Deputy High Court Judge Wilson Chan for trial on 3 November 2014 and the parties are in the course of giving evidence. Most likely the Court will reserve judgment after conclusion of trial.

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, an Originating Summons was issued by Smart Step Holdings Limited (“SSHL”) as the plaintiff against the Company, Inno-Gold Mining Limited (“IGML”) and Dragon Emperor International Limited (“DEIL”). DEIL and IGML were the subsidiaries of the Company until 9 May 2011 when the Company disposed all its interest in them.

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 first quarter report, the AC comprises of three members, Mr. Lee Ho Yiu, Thomas, Ms. Lu Di and Mr. Tse Yuen Ming, 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 Mr. Tse Yuen Ming, 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 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 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 2014.

PUBLICATION OF INFORMATION ON WEBSITES

This first 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, 14 November 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

Mr. Tse Yuen Ming