

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

First Quarterly Report 15/16

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

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

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

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

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

CORPORATE INFORMATION

Board of Directors

Mr. Ha Chuen Yeung
Mr. Lau King Hang
Mr. Lee Ho Yiu, Thomas*
Mr. Tse Yuen Ming*
Dr. Chan Yiu Wing*
Ms. Liu Jianyi*

* Independent non-executive Directors

Compliance Officer

Mr. Ha Chuen Yeung

Authorised Representatives

Mr. Ha Chuen Yeung
Ms. Leung Pui Ki

Company Secretary

Ms. Leung Pui Ki

Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)
Mr. Tse Yuen Ming
Dr. Chan Yiu Wing
Ms. Liu Jianyi

Nomination Committee Members

Ms. Liu Jianyi (*Chairman*)
Mr. Lee Ho Yiu, Thomas
Mr. Tse Yuen Ming
Dr. Chan Yiu Wing
Mr. Lau King Hang

Remuneration Committee Members

Dr. Chan Yiu Wing (*Chairman*)
Mr. Lee Hoi Yiu, Thomas
Mr. Lau King Hang
Ms. Liu Jianyi

Head Office and Principal Place of Business

Suite B, 6/F., One Capital Place
18 Luard Road, Wan Chai
Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Adviser to the Company

Lam & Co Solicitors (*as to Hong Kong Laws*)
Tang, Tso & Lau Solicitors
(*as to Hong Kong Laws*)

Principal Banker

Dah Sing Bank Limited

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Company Website

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

Principal Share Registrars and Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

GEM Stock Code

8202

HIGHLIGHTS

- Revenue for the three months ended 30 September 2015 amounted to approximately HK\$12,270,000, representing an increase of approximately 34.27% as compared to amount reported in the corresponding period in 2014.
- Loss from continuing operations attributable to equity holders amounted to approximately HK\$6,925,000 for the three months ended 30 September 2015.
- Basis loss per share from continuing operations amounted to approximately HK\$0.012 for the three months ended 30 September 2015.
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2015.

FIRST QUARTERLY RESULTS (UNAUDITED)

For the three months ended 30 September 2015

The board of Directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2015, together with the unaudited comparative figures for the corresponding periods in 2014 (the “Relevant Periods”) as follow:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited three months ended 30 September	
	Notes	2015 HK\$'000	2014 HK\$'000
Continuing operations			
Revenue	3	12,270	9,138
Cost of sales		(9,906)	(17,754)
Gross profit/(loss)		2,364	(8,616)
Other revenue and net income		33	1,217
Marketing and promotion expenses		(244)	(561)
Administrative expenses		(5,319)	(6,195)
Finance costs		(3,752)	(10,101)
Loss on fair value change in trading securities		(55)	–
Loss before income tax		(6,973)	(24,256)
Income tax	4	57	3,440
Loss for the period from continuing operations		(6,916)	(20,816)
Discontinued operations			
Loss for the period from discontinued operations	5	(9)	(3,949)
Loss for the period		(6,925)	(24,765)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the three months ended 30 September 2015

	Notes	Unaudited three months ended 30 September	
		2015 HK\$'000	2014 HK\$'000
Loss for the period attributable to:			
Owners of the Company		(6,925)	(22,981)
Non-controlling interests		–	(1,784)
		(6,925)	(24,765)
Loss per share attributable to the owners of the Company			
From continuing and discontinued operations			
– Basic and diluted (HK\$ per share)	6	(0.012)	(0.085)
From continuing operations			
– Basic and diluted (HK\$ per share)	6	(0.012)	(0.077)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2015

	Unaudited three months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Loss for the period	(6,925)	(24,765)
Other comprehensive income/(loss)		
Exchange difference arising on translation of financial statements of overseas subsidiaries	(137)	189
Total comprehensive loss for the period	(7,062)	(24,576)
Total comprehensive loss attributable to:		
Owners of the Company	(7,062)	(22,799)
Non-controlling interests	–	(1,777)
	(7,062)	(24,576)

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 2015 (“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 condensed consolidated financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Hong Kong dollar is the Company’s functional and presentation currency. These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed 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 condensed 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”).

During the three months ended 30 September 2015, the Group incurred a loss attributable to the owners of the Company approximately HK\$6,925,000 (2014: HK\$22,981,000) and had net liabilities of approximately HK\$107,857,000 as at 30 September 2015.

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. The directors adopted the going concern basis in the preparation of the condensed 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 source of external funding

On 7 December 2015, the Company entered into a loan agreement with Enhanced Finance Limited (“Enhanced Finance”), which is not a related party of the Company and its associates, for which Enhanced Finance agreed to provide the Company a loan facility of HK\$10,000,000.

1. BASIS OF PREPARATION OF THE ACCOUNTS (Continued)

2. Proposed repayment of borrowings and promissory note by issuance of convertible bonds

On 24 August 2015, the Company issued a letter to the lender of the borrowings of principal amount of approximately HK\$42,000,000, Hansom Finance Limited ("Hansom Finance"), for proposing the repayment of borrowings by issuance of convertible bond. On 25 August 2015, Hansom Finance principally agreeable for the proposed repayment subject to their review and entering into of the definitive agreements with the Company relating to the Company's proposal.

On 30 September 2015, the Company issued a letter to the holder of the promissory note, Profit Eagle Limited ("Profit Eagle"), for proposing the repayment of outstanding promissory note by issuance of convertible bond. On 22 October 2015, Profit Eagle principally agreeable for the proposed repayment on the condition that the Company should issue and allot 180,000,000 ordinary shares of the Company to Profit Eagle at the aggregate consideration of HK\$1.00.

The Company is in the progress of negotiating detailed terms of the proposal now for both cases.

3. 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.

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 condensed 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 condensed 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 condensed 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 applied in the preparation of the Quarterly Results are consistent with those applied in preparing the annual financial statements of the Group for the year ended 30 June 2015 ("Annual Report"). The Quarterly Results should be read in conjunction with the Annual Report.

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior years.

At the date of authorisation of the Quarterly Results, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The directors have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. REVENUE

Revenue represents the amounts from the advertising operations in the People's Republic of China ("PRC"). The amount of revenue recognized during the period is as follows:

	Unaudited three months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Continuing operations		
Outdoor advertising on buses and bus stations	12,270	9,138

4. INCOME TAX

Income tax in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited three months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax		
Current tax	(57)	(3,440)
Tax credit for the period	(57)	(3,440)

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and the PRC respectively during the period (2014: 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"), a direct wholly-owned subsidiary of the Company, and its subsidiaries (collectively known as the "Redgate 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 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 on the outdoor advertising on buses and bus stations and television advertisements. The disposal of Redgate Group was completed on 17 November 2014.

During the year ended 30 June 2013, the Directors determined to cease the operations 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 2013.

5. DISCONTINUED OPERATIONS (Continued)

For the period ended 30 September 2015 and 2014, the results and cash flows of Redgate Group and Cyberliving Group are treated as discontinued operations. The comparative condensed consolidated statement of profit or loss and other 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 operations included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Unaudited three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Turnover	–	17,663
Cost of sales	–	(19,786)
Gross loss	–	(2,123)
Other revenue and other net income	–	18
Marketing and promotion expenses	–	(14)
Administrative expenses	(9)	(1,676)
Loss before income tax	(9)	(3,795)
Income tax	–	(154)
Loss for the period from discontinued operations	(9)	(3,949)
Loss attributable to:		
Owners of the Company	(9)	(2,165)
Non-controlling interests	–	(1,784)
Loss for the period from discontinued operations included the followings:–		
Depreciation	–	20
Staff costs	–	1,158
Cash flows from discontinued operations:		
Net cash (used in)/generated from operating activities	(9)	502
Net cash generated from investing activities	–	18
Net cash (outflows)/inflows	(9)	520

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 loss 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 the following data:

	Unaudited three months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Loss for the period attributable to the owners of the Company	(6,925)	(22,981)
	Number of shares three months ended 30 September	
	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation (note)	565,368	270,107

6. LOSS PER SHARE (Continued)

Note:

The number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for the years ended 30 June 2015 has been adjusted to reflect the impact of the share consolidation and issue of shares pursuant to open offer effected during the respective reporting periods. The number of ordinary shares for the year ended 30 June 2014 has also been restated to reflect the impact of share consolidation and issue of shares pursuant to open offer on a retrospective basis.

The basic and diluted earnings/(loss) per share from continuing and discontinued operations are the same for years ended 30 June 2015 and 2014 respectively, as the effect of the share options and convertible notes outstanding as at 30 June 2015 and 2014 would be anti-dilutive and were not included in the calculation of diluted earnings/(loss) per share.

From continuing operations

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

	Unaudited three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Loss for the period attributable to the owners of the Company	(6,916)	(20,816)

	Number of shares three months ended 30 September	
	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation (note)	565,368	270,107

Note:

The number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for the years ended 30 June 2015 has been adjusted to reflect the impact of the share consolidation and issue of shares pursuant to open offer effected during the respective reporting periods. The number of ordinary shares for the year ended 30 June 2014 has also been restated to reflect the impact of share consolidation and issue of shares pursuant to open offer on a retrospective basis.

The basic and diluted earnings/(loss) per share are the same for years ended 30 June 2015 and 2014 respectively, as the effect of the share options and convertible notes outstanding as at 30 June 2015 and 2014 would be anti-dilutive and were not included in the calculation of diluted earnings/(loss) per share.

7. RESERVES

	Attributable to the owners of the Company											
	Share capital	Share premium	Share option reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
	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 2014 (audited)	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	-	(20,981)	(22,799)	(1,777)	(24,576)
At 30 September 2014 (unaudited)	2,701	940,317	38,714	8,060	52,959	43	(659)	(743)	(2,068,005)	(1,026,613)	(12,335)	(1,038,948)
At 1 July 2015 (audited)	79,625	1,202,504	38,714	-	52,959	43	(883)	(743)	(1,473,284)	(101,065)	-	(101,065)
Loss for the period	-	-	-	-	-	-	-	-	(6,925)	(6,925)	-	(6,925)
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	-	-	-	(137)	-	-	(137)	-	(137)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,020)	(743)	(1,480,209)	(7,062)	-	(7,062)
At 30 September 2015 (unaudited)	79,625	1,202,504	38,714	-	52,959	43	(1,020)	(743)	(1,480,209)	(108,127)	-	(108,127)

8. EVENTS AFTER THE REPORTING PERIOD

- (a) On 30 September 2015, the Company issued a letter to the holder of the promissory note, Profit Eagle Limited (“Profit Eagle”), and proposed the repayment of outstanding promissory note by issuance of convertible bonds. On 22 October 2015, Profit Eagle principally agreed the Company’s proposal on the condition that the Company should issue and allot 180,000,000 ordinary shares of the Company to Profit Eagle at the aggregate consideration of HK\$1.00. The Company is in the progress of negotiating detailed terms of the proposals now.
- (b) On 7 December 2015, the Company entered into a loan agreement with Enhanced Finance Limited (“Enhanced Finance”), which is independent of the Company and its subsidiaries, for which Enhanced Finance agreed to provide the Company with a loan facility of HK\$10,000,000 and the Company has withdrawn HK\$5,000,000 for general working capital.
- (c) Trading in the shares of the Company on the GEM of the Stock Exchange has been suspended from 26 January 2015. On 23 April 2015, the Stock Exchange has imposed conditions on top of the general compliance with the GEM Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. For details, please refer to the announcement of the Company dated 15 May 2015. The Company is now in the progress of fulfilling the conditions for resumption.

DIVIDEND

The Directors did not recommend the payment of a dividend for the three months ended 30 September 2015 (2014: Nil).

BUSINESS REVIEW

For the three months ended 30 September 2015, the Group's unaudited consolidated revenue amounted to approximately HK\$12,270,000 (2014: HK\$9,138,000).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$6,925,000 for the three months ended 30 September 2015 (2014: loss approximately HK\$22,981,000) representing a decrease of approximately 69.87% as compared to that of the corresponding period in 2014. The substantial decrease in such loss for the three months ended 30 September 2015 was mainly due to the (i) decrease in amortization of intangible assets and (ii) decrease in effective interest expense on convertible notes. These are non-cash in nature and do not have any impact on the operating cash flows of the Group.

Basic loss per share for the three months ended 30 September 2015 was HK\$0.012 (2014: loss per share HK\$0.085).

Buses and bus stations advertising business in PRC

The Group continues to focus on the business operations of having outdoor advertising on buses and bus stations. It now pursues the development in the following possible ways:

- Expands the advertising network;
- Expands the customer base;
- Increases the utilization of the Group's media resources;
- Enhances pricing strategy; and
- Focuses on sales and marketing.

During the three months ended 30 September 2015, as a result of the additional efforts made, the Group's bus advertising business in PRC reported a 34.27% increase in revenue to HK\$12,270,000 from HK\$9,138,000 in the corresponding period in 2014.

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 three months ended 30 September 2015 (2014: HK\$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group has borrowings of HK\$42,000,000 (30 June 2015: HK\$42,000,000) and other debts (include the principal amounts of promissory notes) of HK\$46,693,000 (30 June 2015: HK\$46,693,000) denominated in Hong Kong dollars. The debt ratio, calculated as total liabilities over total assets of the Group as at 30 September 2015 was approximately 4.89 (30 June 2015: approximately 3.89).

The Group did not have any stand-by banking facilities at 30 September and 30 June 2015.

On 24 August 2015, the Company issued a letter to the lender of the borrowings of principal amount of approximately HK\$42,000,000, Hansom Finance Limited (“Hansom Finance”), and proposed the repayment of the borrowings by issuance of convertible bonds. On 25 August 2015, Hansom Finance principally agreed the Company’s proposal, subject to their review and entering into definitive agreements with the Company. The Company is in the progress of negotiating detailed terms of the proposals now.

As at 30 September 2015, the Group had cash and cash equivalents (the “Liquidity Resources”) of approximately HK\$2,249,000 (30 June 2015: approximately HK\$7,506,000) which are mainly denominated in Hong Kong dollars and Renminbi (“RMB”). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings and equity financing.

Save as disclosed in this report, the Group has no material capital expenditure commitments as at 30 September 2015.

CAPITAL STRUCTURE

The Company’s issued share capital was HK\$79,624,678.40 and the number of its issued ordinary shares was 796,246,784 shares of HK\$0.10 each (“Shares”).

As at 30 September 2015, the total issued shares are 796,246,784 Shares.

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

- (a) On 2 December 2014, the Company and the vendors (“Prospective Vendors”) entered into the memorandum of understanding (“MOU”) in relation to a possible acquisition.

The target group will be principally engaged in worldwide media commercial advertising business in football matches of Liga de Fútbol Profesional. The Company has paid HK\$15,000,000 (“Deposit”) to the Prospective Vendors as a refundable deposit. Subject to the satisfaction of due diligence result on the target group, the Company will consider further negotiation with the Prospective Vendors on the possible acquisition and entering into formal agreement. In the event that formal agreement is not entered into prior to the long stop date or the MOU is terminated, the Deposit shall be refunded in full without interest and without deduction to the Company by the Prospective Vendors within fourteen days. In the event of entering into the formal agreement, the Deposit will be applied towards satisfaction of the consideration of the Possible Acquisition or part thereof.

On 15 July 2015, the Company and the vendors (“Prospective Vendors”) entered into the supplemental memorandum of understanding (“Supplemental MOU”) in relation to a possible acquisition, pursuant to which the parties agreed to extend the inspection period as six months after the execution of the Supplemental MOU (the “Revised Inspection Period”) (or such later date as the parties may agree in writing) and extend the Long Stop Date as 30 days after the Revised Inspection Period (the “Revised Long Stop Date”). The parties further agreed to extend the exclusive negotiation period from execution of the Supplemental MOU until the Revised Long Stop Date (or such later date as the parties may agree in writing).

Save as disclosed above, the Group did not make any material acquisition or disposal during the three months ended 30 September 2015.

In addition, the Group is constantly looking for any other business opportunities for new possible potential investment to improve the standard performance of the Group and improve Shareholders’ return.

CHARGES OF ASSETS

As at 30 September 2015, the Company has charged all its equity interests in four companies wholly owned by the Company to secure the borrowings of the Group (2014: Nil).

FOREIGN CURRENCY EXCHANGE RISK

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

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated RMB.

As at 30 September 2015, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB, used by the respective group entities.

As at 30 September 2015, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 September 2015, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEES

The number of employees (including Directors) was 44 as at 30 September 2015 (2014: 50), and the total staff costs (including Directors’ remuneration) for the three months ended 30 September 2015 was approximately HK\$1,328,000 (2014: HK\$1,632,000). Other benefits provided by the Group to the employees include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

SHARE OPTION SCHEME

The Company’s share option scheme which was adopted on 5 July 2002 (“Old Scheme”) was expired and a new share option scheme (“New Scheme”, together with Old Scheme, the “Share Option Schemes”) was adopted by an ordinary resolution passed by the shareholders at the annual general meeting the Company on 23 November 2012 (“Adoption Date”). The New Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date. Apart from the Share Option Schemes, the Company has no other share option scheme as at 30 September 2015.

Upon the expiry of the Old Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

The purpose of the Share Option Schemes are to enable the Company to grant options to the Participants (as defined below) as incentives and rewards for their contribution to the Company or its subsidiaries.

Participants under the Share Option Schemes include any employee or consultant, advisor, agent, contractor, client or supplier of the Company or any of its subsidiaries who is in the sole opinion of the Board has contributed or is expected to contribute to the Group. The principal terms of the share option schemes are summarized as follow:

The subscription price shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (i) the nominal value of the shares;
- (ii) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; and
- (iii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant. An option must be exercised within 10 years from the date on which it is granted or such shorter period as the Board may specify at the time of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Schemes and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Schemes. The Company may seek approval by the shareholders at general meeting to refresh the 10% limit (the "Option Scheme Limit"). However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Schemes in these circumstances must not exceed 10% of the number of the issued share of the Company as at the date of approval of the refreshment of the Option Scheme Limit.

The Option Scheme Limit has been refreshed on 30 December 2014 at the general meeting. Based on 796,246,784 shares of the Company in issue as at 30 December 2014, the maximum number of shares of the Company which may be issued upon the exercise of all the options granted or to be granted under the Share Option Schemes or any other share option schemes of the Company must not, in aggregate, exceed 79,624,678 Shares, being 10% of the shares in issue as at 30 December 2014. The Company has not granted any options under the New Scheme since its adoption. Up to 30 September 2015, there were 104,270 share options granted and there were 66,142 shares options under the Old Scheme exercised and 166 share options has been lapsed. The total number of shares available for issue under the Old Scheme is 37,962 shares of the Company, representing approximately 0.005% of the total number of shares of the Company in issue as at 30 September 2015.

The maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Schemes and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to:

- (i) each eligible Participant must not exceed 1.0% of the total number of shares of the Company in issue; and
- (ii) a substantial shareholder of the Company or an independent non-executive director must not exceed 0.1% of the total number of shares of the Company in issue and not exceed HK\$5.0 million in aggregate value.

Particulars of the movement of the outstanding options in aggregate granted under the Old Scheme during the three months ended 30 September 2015, were as follows:

Date of grant	Number of share options				Outstanding as at 30 September 2015	Option period	Exercise price per share	
	Outstanding as at 1 July 2015	Granted during the period	Exercised during the period	Lapsed during the period				
Former directors, senior management, other employees and consultants	20 September 2005	160	-	-	(160)	0	20 September 2005 to 19 September 2015	HK\$707.09
	23 August 2007	11,252	-	-	-	11,252	23 August 2007 to 22 August 2017	HK\$3,907.76
	9 September 2008	4,975	-	-	-	4,975	9 September 2008 to 8 September 2018	HK\$1,079.39
	11 September 2008	3,546	-	-	-	3,546	11 September 2008 to 10 September 2018	HK\$1,209.46
	16 December 2008	3,546	-	-	-	3,546	16 December 2008 to 15 December 2018	HK\$472.70
	17 February 2009	1,932	-	-	-	1,932	17 February 2009 to 16 February 2019	HK\$614.18
	29 May 2009	1,932	-	-	-	1,932	29 May 2009 to 28 May 2019	HK\$545.72
	31 December 2009	1,104	-	-	-	1,104	31 December 2009 to 30 December 2019	HK\$279.06
	15 January 2010	9,675	-	-	-	9,675	15 January 2010 to 14 January 2020	HK\$452.81
Total		38,122	-	-	(160)	37,962		

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2015, none of the Directors or chief executives of the Company had any interests or 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 Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 standards of dealings by directors as set out in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 September 2015, 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:

Long Positions in Shares and Underlying Shares of the Company

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
China Trillion Capital International Limited	Beneficial owner	63,050,609	–	63,050,609	7.92%
Uni-Asia Limited	Beneficial owner Interested of controlled corporation (Note 1)	7,643,678 63,050,609	–	70,694,287	8.88%
ASPTC (PTC) Limited	Trustee (Note 2)	70,694,287	–	70,694,287	8.88%
Al-Saleh Fawzi M	Beneficiary of a trust (Note 3)	70,694,287	–	70,694,287	8.88%

Notes:

- China Trillion Capital International Limited is beneficially owned as to 100% by Uni-Asia Limited. Therefore Uni-Asia Limited is deemed to be interested in the shares of China Trillion Capital International Limited.
- Uni-Asia Limited is beneficially owned as to 100% by ASPTC (PTC) Limited, which in turn holds the entire share capital of Uni-Asia Limited on trust for Al-Saleh Fawzi M.
- ASPTC (PTC) 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 ASPTC (PTC) Limited.

Save as disclosed above, as at 30 September 2015, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Schemes" and "Directors' or chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its Associated Corporations" above, at no time during the three months ended 30 September 2015 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

DIRECTORS' INTEREST IN COMPETING INTERESTS

During the three months ended 30 September 2015 and up to the date of this report, as far as the Directors are aware of, 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 any interest in any business which competes or may compete, directly or indirectly, with the business of the Group, or have any other conflict of interests with the Group.

COMPLIANCE WITH THE MODEL 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 of the GEM Listing Rules (the "Securities Code"). During the three months ended 30 September 2015, 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

During the period and up to the date of this report, the Group has been involved in the following legal proceedings:

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

The Plaintiff’s claims came before the Honourable Deputy High Court Judge Wilson Chan for trial on 3 to 7, 10 to 13, 18 and 19 November 2014 and Judgment was handed down by the Honourable Deputy High Court Judge Wilson Chan on 29 January 2015 (“the Judgment”). By the Judgment, the Honourable Deputy High Court Judge Wilson Chan dismissed all the Plaintiff’s claims with costs to the Defendants.

On 4 March 2015, the Plaintiff served a Notice of Appeal against the Judgment and the Board of the Company was advised that there is no merit in such appeal at all. The hearing of the said appeal was fixed for 12 and 13 July 2016.

The Directors, based on legal advice, consider that the Plaintiff does not have any merit in the said appeal at all. Therefore, no provision in respect of such dismissed 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.

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

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

The Directors, based on legal advice, consider that the case does not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

- (c) On 30 January 2015, the Securities and Futures Commission (“the Petitioner”) presented a Petition to the High Court under section 214 of the Securities and Futures Ordinance, Cap. 571 (“the Petition”) against the Company and 4 ex-directors of the Company, namely, Wong Yuen Yee, Wong Yao Wing, Robert, Wong Kwok Sing and Lam Shiu San (collectively “the Ex-Directors”). It is the Petitioner’s complaint that the Ex-Directors had conducted the business or affairs of the Company in a manner involving misfeasance or misconduct toward the Company, its members or any part of its members and/or unfairly prejudicial to its members or any part of its members.

By the Petition the Petitioner sought an order that the Company shall bring in its name civil proceedings against the Ex-Directors to seek recovery of compensation or loss and damages suffered by the Company as a result of such misfeasance or misconduct or unfairly prejudicial conduct and also disqualification of the Ex-Directors to be director, liquidator, or receiver or manager of any listed or unlisted company in Hong Kong or from taking part in the management of any listed or unlisted company in Hong Kong on such terms and for such periods as the Court shall think fit and/or other reliefs.

The Company has sought independent legal advice on the Petition and the Petition has been scheduled for hearing on 29 April 2015.

The Company has agreed with the Petitioner will serve the writ before its expiry date.

The Directors, based on legal advice, consider that both proceedings mentioned in paragraph (b) and (c) above do not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

Save as discussed above, during the three months ended 30 September 2015, 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.

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE GEM LISTING RULES

On 30 September 2015, the Board announced that the Company was not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the annual results for the financial year ended 30 June 2015 (the “2015 Annual Results”); and (ii) publishing the related annual report for the year ended 30 June 2015 (the “2015 Annual Report”). As such delay has constituted non-compliance with Rules 18.03 and 18.49 of the GEM Listing Rules.

On 13 November 2015, the Board further announced that as a result of the delay in the publication of the announcement of the 2015 Annual Results and despatch of the 2015 Annual Report, the Company was also not able to timely comply with the financial reporting provisions under the GEM Listing Rules in (i) announcing the first quarterly results for the three months ended 30 September 2015 (the “2016 First Quarterly Results”) and despatch of the first quarterly report; and (ii) publishing the related first quarterly report for the three months ended 30 September 2015 (the “2016 First Quarterly Report”). As such delay has constituted non-compliance with Rules 18.66, 18.67 and 18.79 of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee (“AC”) 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 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 four members, Mr. Lee Ho Yiu, Thomas, Mr. Tse Yuen Ming, Dr. Chan Yiu Wing and Ms. Liu Jianyi, all being independent non-executive Directors. The AC is chaired by Mr. Lee Ho Yiu, Thomas. The unaudited consolidated financial statements for the three months ended 30 September 2015 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.

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 four members, namely Mr. Lau King Hang, being an executive Director, and Mr. Lee Ho Yiu, Thomas, Dr. Chan Yiu Wing and Ms. Liu Jianyi, all being independent non-executive Directors. The RC is chaired by Dr. Chan Yiu Wing. 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.

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 five members, namely Mr. Lau King Hang, being an executive Director, Mr. Lee Ho Yiu, Thomas, Mr. Tse Yuen Ming, Dr. Chan Yiu Wing and Ms. Liu Jianyi, all being independent non-executive Directors. The NC is chaired by Ms. Liu Jianyi. 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.

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

Ha Chuen Yeung

Executive Director

Hong Kong, 28 January 2016

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

Executive Directors:

Mr. Ha Chuen Yeung

Mr. Lau King Hang

Independent Non-Executive Directors:

Mr. Lee Ho Yiu, Thomas

Mr. Tse Yuen Ming

Dr. Chan Yiu Wing

Ms. Liu Jianyi