

INNO-TECH HOLDINGS LIMITED

匯創控股有限公司

Third Quarterly Report 16/17



(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 of the Stock Exchange (the “GEM Listing Rules”) 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
Dr. Chan Yiu Wing
Mr. Mazher Hussain
Mr. Lee Ho Yiu, Thomas*
Mr. Tse Yuen Ming*
Ms. Liu Jianyi*

* Independent non-executive Directors

Compliance Officer

Mr. Ha Chuen Yeung

Authorised Representatives

Mr. Ha Chuen Yeung
Ms. Lai Wai Ha of Akron Advisory Limited,
external service provider

Company Secretary

Ms. Lai Wai Ha of Akron Advisory Limited,
external service provider

Audit Committee Members

Mr. Lee Ho Yiu, Thomas (*Chairman*)
Mr. Tse Yuen Ming
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

Ms. Liu Jianyi (*Chairman*)
Mr. Lee Ho Yiu, Thomas
Mr. Lau King Hang

Head Office and Principal Place of Business

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

Auditors

Elite Partners CPA Limited
Certified Public Accountants

Legal Advisers 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

Conyers Corporate Services
(Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

GEM Stock Code

8202



HIGHLIGHTS

- Revenue for the nine months ended 31 March 2017 amounted to approximately HK\$40,411,000, representing an increase of approximately 19.8% as compared to amount reported in the corresponding period in 2016.
- Loss from continuing operations attributable to equity holders amounted to approximately HK\$94,441,000 for the nine months ended 31 March 2017.
- Basic loss per share from continuing operations amounted to HK\$0.0967 for the nine months ended 31 March 2017.
- The Board did not recommend the payment of a dividend for the nine months ended 31 March 2017.

THIRD QUARTERLY RESULTS (UNAUDITED)

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 nine months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follow:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the three months ended 31 March		Unaudited For the nine months ended 31 March	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	14,187	10,849	40,411	33,728
Cost of sales		(11,369)	(10,788)	(34,952)	(29,505)
Gross profit		2,818	61	5,459	4,223
Other revenue and net income		34	3	2,538	108
Marketing and promotion expenses		(69)	(247)	(603)	(722)
Administrative expenses		(5,476)	(71)	(17,967)	(9,330)
Finance costs		(1,182)	–	(6,097)	(4,607)
Changes in fair value of financial assets at fair value through profit or loss		–	(3)	5	(105)
Loss on repayment of promissory notes		–	–	(50,719)	–
Loss on repayment of borrowing		–	–	(27,155)	–
Loss before income tax		(3,875)	(257)	(94,539)	(10,433)
Income tax	4	33	24	98	106
Loss for the period from continuing operations		(3,842)	(233)	(94,441)	(10,327)
Discontinued operations (Loss)/profit for the period from discontinued operations	5	0	(2)	(7)	(11)
(Loss)/profit for the period		(3,842)	(235)	(94,448)	(10,338)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Notes	Unaudited		Unaudited	
		For the three months		For the nine months	
		ended		ended	
		31 March		31 March	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:					
Owners of the Company		(3,842)	(235)	(94,448)	(10,338)
Non-controlling interests		–	–	–	–
		(3,842)	(235)	(94,448)	(10,338)
(Loss)/earning per share attributable to owners of the Company					
From continuing and discontinued operations					
– Basic and diluted	6	(0.0074)	(0.0005)	(0.0967)	(0.0221)
From continuing operations					
– Basic and diluted	6	(0.0074)	(0.0005)	(0.0967)	(0.0220)

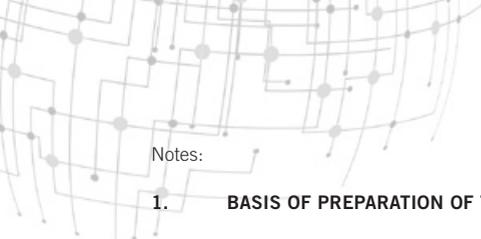
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the three months ended 31 March		Unaudited For the nine months ended 31 March	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(Loss)/profit for the period	(3,842)	(235)	(94,448)	(10,338)
Other comprehensive (loss)/income				
Exchange difference arising on translation of financial statements of overseas subsidiaries	3	(1,198)	(43)	196
Reclassification adjustment for realisation of exchange difference transferred to profit or loss upon disposal of subsidiaries	-	-	-	-
Total comprehensive (loss)/income for the period	(3,839)	(1,433)	(94,491)	(10,142)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(3,839)	(1,433)	(94,491)	(10,142)
Non-controlling interests	-	-	-	-
	(3,839)	(1,433)	(94,491)	(10,142)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2017

	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 reserves	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 2015	79,625	1,202,504	38,714	-	52,959	43	(883)	(743)	1,473,284	(101,065)	-	(101,065)
Loss for the period	-	-	-	-	-	-	-	-	(10,338)	(10,338)	-	(10,338)
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	196	-	-	196	-	196
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	196	-	(10,338)	(10,142)	-	(10,142)
At 31 March 2016	79,625	1,202,504	38,714	-	52,959	43	(687)	(743)	1,462,946	(111,207)	-	(111,207)
At 1 July 2016 (Audited)	79,625	1,049,931	38,628	-	52,959	43	161	(743)	1,354,934	(134,330)	-	(134,330)
Placing of shares	15,925	(1,275)	-	-	-	-	-	-	-	14,650	-	14,650
Capital reorganisation	(93,639)	-	-	-	93,639	-	-	-	-	-	-	-
Issue of subscription shares	750	-	-	-	-	-	-	-	-	750	-	750
Placing of shares	318	10,494	-	-	-	-	-	-	-	10,812	-	10,812
Issue of Convertible bonds	7,000	97,215	-	56,523	-	-	-	-	-	160,738	-	160,738
	9,979	1,156,365	38,628	56,523	146,598	43	161	(743)	(1,354,934)	52,620	-	52,620
Loss for the period	-	-	-	-	-	-	-	-	(94,448)	(94,448)	-	(94,448)
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(43)	-	-	(43)	-	(43)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(43)	-	(94,448)	(94,491)	-	(94,491)
At 31 March 2017	9,979	1,156,365	38,628	56,523	146,598	43	118	(743)	(1,449,382)	(41,871)	-	(41,871)



Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 March 2017 (“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.

The Quarterly Results are presented in Hong Kong dollars (“HK\$”), and the functional currency of the Company is HK\$, with values rounded to the nearest thousand.

The Quarterly Results 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 (Chapter 622 of the Laws of Hong Kong). 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”). The Quarterly Results should be read in conjunction with the Group’s audited financial statements for the year ended 30 June 2016 (“Annual Report”)

2. PRINCIPAL ACCOUNTING POLICIES

The Quarterly Results have been prepared under the historical cost convention, except for securities investment which are stated at fair value.

The accounting policies and methods of computation applied in the preparation of the Quarterly Results are consistent with those applied in preparing the Annual Report.

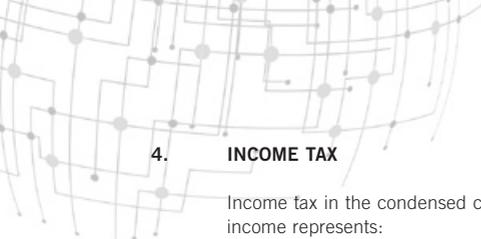
The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior years.

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 income from the advertising operations in the People's Republic of China ("PRC") and from event management and marketing services in Hong Kong. The amount of revenue recognised during the period is as follows:

	Unaudited	
	For the nine months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Continuing operations:		
Outdoor advertising on buses and bus stations	39,356	33,728
Event management and marketing services	1,055	–
	40,411	33,728



4. INCOME TAX

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

	Unaudited	
	For the nine months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax		
Current tax	(98)	(106)
Tax credit for the period	(98)	(106)

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 (2016: Nil).

5. DISCONTINUED OPERATIONS

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 31 March 2017 and 2016, the results and cash flows of Cyberliving Group are treated as discontinued operations.

The results of the discontinued operations for the current and prior periods, which had been included in the condensed consolidated statement of profit or loss, are as follows:

	Unaudited	
	For the nine months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Turnover	-	-
Cost of sales	-	-
Gross profit/(loss)	-	-
Other revenue and other net income	-	-
Marketing and promotion expenses	-	-
Administrative expenses	(7)	(11)
Loss before income tax	(7)	(11)
Income tax	-	-
Loss for the period	(7)	(11)
Gain on disposal of subsidiaries	-	-
(Loss)/profit for the period from discontinued operations	(7)	(11)
(Loss)/profit attributable to:		
Owners of the Company	(7)	(11)
Non-controlling interests	-	-
	(7)	(11)
Profit for the period from discontinued operations included the followings:-		
Depreciation	-	-
Staff costs	-	-

The cash flow information of the discontinued operations were as follows:

Cash flows from discontinued operations:		
Net cash used in operating activities	(7)	(11)
Net cash generated from investing activities	-	-
Net cash outflows	(7)	(11)

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(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 earnings/(loss) per share for the period is based on the profit/(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 earnings/(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 earnings/(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 earnings/(loss) per share. Therefore the basic and diluted earnings/(loss) per share for the respective periods are equal.

From continuing and discontinued operations

The calculations of basic and diluted earnings/(loss) per share are based on:

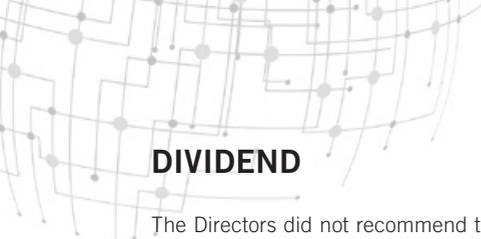
	Unaudited three months ended 31 March 2017		Unaudited nine months ended 31 March 2017	
	HK\$'000	2016 HK\$'000	HK\$'000	2016 HK\$'000
(Loss) for the period attributable to:				
Owners of the Company	(3,842)	(235)	(94,448)	(10,338)
	Number of shares three months ended 31 March 2017 (Unaudited) '000		Number of shares nine months ended 31 March 2017 (Unaudited) '000	
	(Unaudited) '000	2016 (Unaudited) '000	(Unaudited) '000	2016 (Unaudited) '000
Weighted average number of ordinary shares for basic and diluted loss per share calculation	1,631,568	468,448	1,174,297	468,448

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

From continuing operations

The calculations of basic and diluted earnings/(loss) per share are based on:

	Unaudited three months ended 31 March 2017		Unaudited nine months ended 31 March 2017	
	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to:				
Owners of the Company	(3,842)	(233)	(94,441)	(10,327)
	Number of shares three months ended 31 March 2017 (Unaudited) '000		Number of shares nine months ended 31 March 2017 (Unaudited) '000	
	2016 (Unaudited) '000	2016 (Unaudited) '000	2016 (Unaudited) '000	2016 (Unaudited) '000
Weighted average number of ordinary shares for basic and diluted loss per share calculation	1,631,568	468,448	1,174,297	468,448



DIVIDEND

The Directors did not recommend the payment of a dividend for the nine months ended 31 March 2017 (2016: Nil).

BUSINESS REVIEW

For the nine months ended 31 March 2017, the Group's unaudited consolidated revenue amounted to approximately HK\$40,411,000 (2016: approximately HK\$33,728,000).

The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$94,448,000 for the nine months ended 31 March 2017 (2016: loss approximately HK\$10,338,000), in which for continuing operations, the Group recorded a loss for the period of approximately HK\$94,441,000 for the nine months ended 31 March 2017 (2016: loss of approximately HK\$10,327,000) representing an increase of approximately 815% as compared to that of the corresponding period in 2016. The substantial increase in such loss for the nine months ended 31 March 2017 were mainly due to the (i) increase in administrative expenses; (ii) loss on repayment of promissory notes; and (iii) loss on repayment of borrowings.

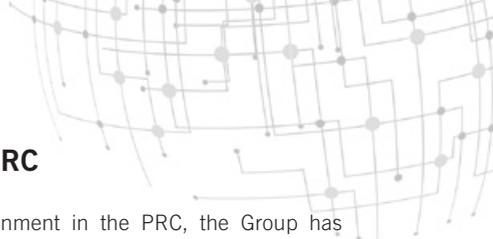
Basic loss per share from continuing and discontinued operations for the nine months ended 31 March 2017 was HK\$0.0967 (2016: basic loss per share HK\$0.0221).

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 nine months ended 31 March 2017, as a result of the additional efforts made, the Group's bus advertising business in PRC reported a 16.69% increase in revenue to approximately HK\$39,356,000 from approximately HK\$33,728,000 in the corresponding period in 2016.



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 nine months ended 31 March 2017 (2016: Nil).

Event management and marketing services in Hong Kong

The Group commenced event management and marketing services business in Hong Kong in October 2016. During the nine months ended 31 March 2017, the Group's event management and marketing services business in Hong Kong reported revenue amounting to approximately HK\$1,055,000.

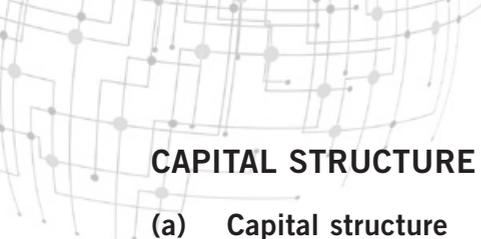
LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group's cash and bank balance were approximately HK\$7,693,000 (30 June 2016: approximately HK\$5,438,000), which are mainly denominated in Hong Kong dollars and Renminbi ("RMB").

As at 31 March 2017, the Group recorded total current assets of approximately HK\$48,760,000 (30 June 2016: approximately HK\$30,085,000) and total current liabilities of approximately HK\$42,733,000 (30 June 2016: approximately HK\$155,321,000). The increase of total current assets was mainly due to the increase in cash and bank balance in the reporting period. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 1.14 times as at 31 March 2017 (30 June 2016: approximately 0.19 times). The debt ratio of Group, calculated by dividing the total liabilities by the total assets, was approximately 1.85 times (30 June 2016: approximately 5.12 times).

The Group did not have any stand-by banking facilities as at 31 March 2017 and 30 June 2016.

Save as disclosed in this report, the Group has no material capital expenditure commitments as at 31 March 2017.



CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

(a) Capital structure

As at 31 March 2017, the Company's issued share capital was HK\$9,979,490.99 and the number of its issued ordinary shares was 997,949,099 shares of HK\$0.01 each ("Shares").

Capital reorganisation

At the special general meeting of the Company held on 17 October 2016, approval was given by the shareholders of the Company to proceed with the capital reorganisation of the Company involving, among others, (i) consolidating every five (5) issued and unissued shares into one (1) consolidated share; (ii) reducing the nominal value of the issued consolidated shares from HK\$0.5 to HK\$0.01 and (iii) subdividing the unissued consolidated shares into fifty (50) new shares of HK\$0.01 each (the "Capital Reorganisation"). Immediately following the effective of the Capital Reorganisation on 4 November 2016, the authorised share capital of the company was changed from HK\$300,000,000 divided into 3,000,000,000 shares of HK\$0.10 par value each into HK\$300,000,000 divided into 30,000,000,000 shares of HK\$0.01 par value each.

(b) Fund raising activities and use of proceeds

Placing of new shares under specific mandate

On 12 August 2016, the Company entered into a placing agreement with Win Wind Securities Limited (as placing agent) pursuant to which the placing agent agreed to place the placing shares comprising up to an aggregate of 159,249,356 new shares of the Company at the placing price of HK\$0.10 per placing share on behalf of the Company to not less than six placees. Completion of the placing took place on 24 October 2016. The net proceeds amount to approximately HK\$12.22 million will be used for general working capital of the Group.



Allotment of subscription shares

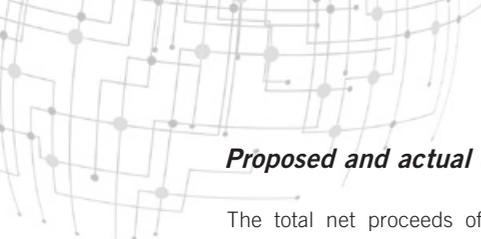
On 7 November 2016, as part of the debt restructuring exercise, the Company allotted 75,000,000 subscription shares to Profit Eagle Limited according to the first deed of amendment dated 12 August 2016 and supplemental deed of amendment dated 19 September 2016. The net proceeds amount to approximately HK\$750,000 will be used for general working capital of the Group.

Placing of convertible bonds under specific mandate

On 12 August 2016, the Company entered into a convertible bonds placing agreement (the “CB Placing Agreement”) with the placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees, or failing which, itself as principal on a fully underwritten basis, to subscribe for HK\$25 million of convertible bonds by one or more tranches of not less than HK\$0.5 million (the “CB Placing”). On 19 September 2016, supplemental agreement was entered into for the CB Placing Agreement where the term and all references to “Free Shares” as stipulated under the CB Placing Agreement shall be replaced by the term of “Subscription Shares”. The CB Placing was completed on 7 November 2016. The net proceeds amount to approximately HK\$23.74 million will be used for general working capital of the Group.

Placing of new shares under general mandate

On 18 November 2016, the Company entered into a placing agreement with Enhanced Securities Limited (“Placing Agent”) pursuant to which the Placing Agent agreed to place the placing shares of 31,849,871 new shares of the Company at the placing price of HK\$0.35 per placing share on behalf of the Company to not less than six placees. Completion of the placing took place on 30 November 2016. The net proceeds amount to approximately HK\$10.60 million will be used for repayment of an outstanding loan of the Group.



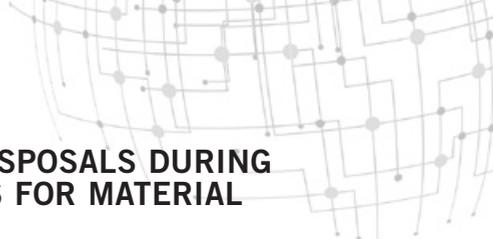
Proposed and actual use of proceeds

The total net proceeds of the placing of new shares under specific mandate, allotment of subscription shares and placing of convertible bonds under specific mandate amount to approximately HK\$36.71 million will be used for general working capital of the Group. During the period ended 31 March 2017, HK\$36.25 million had been utilised for general working capital of the Group and the remaining balance not yet utilised.

During the period ended 31 March 2017, all the net proceeds from the placing of new shares under general mandate had been utilised for repayment of an outstanding loan of the Group.

CONVERTIBLE BONDS

1. On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$60.50 million (the “CB1”) due in 2018 with conversion price of HK\$0.10 per share to Profit Eagle Limited. The CB1 do not bear any interest. The maturity date is the date falling on the 24 months of the date of issue of the CB1. As at 31 March 2017, the CB1 in the aggregate principal amount of HK\$60.50 million remains outstanding.
2. On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$50 million (the “CB2”) due in 2018 with conversion price of HK\$0.10 per share to Ms. Kuo Yi-Hui. The CB2 with 3% interest per annum. The maturity date is the date falling on the 18 months of the date of issue of the CB2. As at 31 March 2017, the CB2 amounting to HK\$45 million have been converted into 450,000,000 conversion shares and in the aggregate principal amount of HK\$5,000,000 remains outstanding.
3. On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$25 million (the “CB3”) due in 2018 with conversion price of HK\$0.10 per share to not less than 6 placees. The CB3 with 3% interest per annum. The maturity date is the date falling on the 24 months of the date of issue of the CB3. As at 31 March 2017, the CB3 with a total principal amount of HK\$25 million have been fully converted into 250,000,000 conversion shares.



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

The Group did not make any material acquisitions and disposals during the nine months ended 31 March 2017. 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 Company's shareholders' return.

CHARGES OF ASSETS

The Company has charged all its equity interests in four companies wholly-owned by the Company to secure the borrowings of the Group on 23 March 2015 and 5 June 2015 respectively. The charges have been fully released and discharged on 7 November 2016.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2017.

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 RMB.

As at 31 March 2017, 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 Group entities functional currency which are mainly in HK\$ or RMB.

As at 31 March 2017, 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.

As at 31 March 2017, 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 61 as at 31 March 2017 (2016: 48), and the total staff costs (including Directors' remuneration) for the nine months ended 31 March 2017 was approximately HK\$3,984,000 (2016: HK\$5,121,256). Other benefits provided by the Group to the employees include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

RESUMPTION PROGRESS

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 (the "Resumption 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. On 12 August 2016, the Company announced that all the Resumption Conditions have been fulfilled. The trading in the shares of the Company was resumed on 15 August 2016. For details, please refer to the announcements of the Company dated 15 May 2015 and 12 August 2016 respectively.

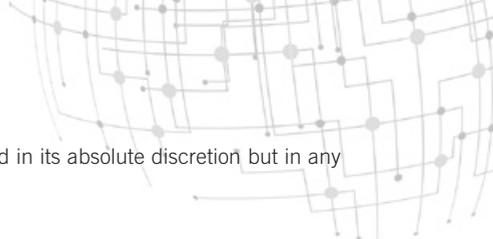
SHARE OPTION SCHEMES

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 of 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 31 March 2017.

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 annual general meeting of the Company. 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.

As at 31 March 2017, (i) there were 7,590 options granted and outstanding under the Old Scheme representing approximately 0.00076% of the total number of shares of the Company in issue as at 31 March 2017; and (ii) the Company was allowed to grant options up to 15,924,935 Shares under the New Scheme (after adjustment as a result of the Capital Reorganization effective on 4 November 2016).

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 nine months ended 31 March 2017, were as follows:

Date of grant	Number of share options					Adjusted during the period upon Completion of Share Reorganization	Outstanding as at 31 March 2017	Option period	Exercise price per share
	Outstanding as at 1 July 2016	Granted during the period	Exercised during the period	Lapsed during the period					
Former directors, senior management, other employees and consultants	23 August 2007	11,252	-	-	-	(9,002)	2,250	23 August 2007 to 22 August 2017	HK\$19,538.80
	9 September 2008	4,975	-	-	-	(3,980)	995	9 September 2008 to 8 September 2018	HK\$5,396.95
	11 September 2008	3,546	-	-	-	(2,837)	709	11 September 2008 to 10 September 2018	HK\$6,047.30
	16 December 2008	3,546	-	-	-	(2,837)	709	16 December 2008 to 15 December 2018	HK\$2,363.50
	17 February 2009	1,932	-	-	-	(1,546)	386	17 February 2009 to 16 February 2019	HK\$3,070.80
	29 May 2009	1,932	-	-	-	(1,546)	386	29 May 2009 to 28 May 2019	HK\$2,728.60
	31 December 2009	1,104	-	-	-	(884)	220	31 December 2009 to 30 December 2019	HK\$1,395.30
	15 January 2010	9,675	-	-	-	(7,740)	1,935	15 January 2010 to 14 January 2020	HK\$2,264.05
Total		37,962	-	-	-	(30,372)	7,590		



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

As at 31 March 2017, none of the Directors or chief executives of the Company had any interests or short positions in the 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

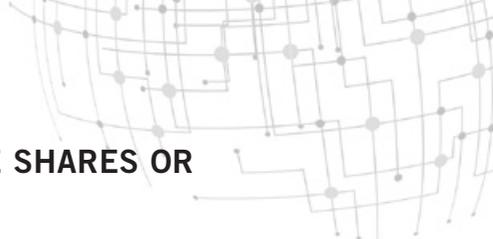
As at 31 March 2017, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 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
Profit Eagle Limited (Note)	Beneficial owner	75,000,000	605,000,000	680,000,000	68.14%
Lee Kuo-Juy (Note)	Interest of a controlled corporation	75,000,000	605,000,000	680,000,000	68.14%
Kuo Yi-Hui	Beneficial owner	150,000,000	50,000,000	200,000,000	20.04%
Kwok Kai Sing Benny	Beneficial owner	100,000,000	-	100,000,000	10.02%
Leung Ka Wei Angela	Beneficial owner	100,000,000	-	100,000,000	10.02%
Chan Wah Lit	Beneficial owner	100,000,000	-	100,000,000	10.02%

Note: Profit Eagle Limited is wholly-owned by Mr. Lee Kuo-Juy and, therefore, Mr. Lee Kuo-Juy is deemed to be interested in the 680,000,000 shares/underlying shares held by Profit Eagle Limited.

Save as disclosed above, as at 31 March 2017, 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 nine months ended 31 March 2017 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 nine months ended 31 March 2017.

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 had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the nine months ended 31 March 2017.

DIRECTORS’ INTEREST IN COMPETING INTERESTS

During the nine months ended 31 March 2017, as far as the Directors are aware of, none of the Directors, the controlling 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.

MANAGEMENT CONTRACTS

As at 31 March 2017, 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.



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. 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 throughout the period.

LITIGATION

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

The Plaintiff served a Notice of Appeal against the Judgment on 4 March 2015, and his appeal was heard on 12 July 2016 with Judgment reserved. On 7th September 2016 the Court of Appeal handed down its Judgment dismissing the Plaintiff’s Appeal with costs.

The prescribed time for the Plaintiff to seek leave to appeal to the Court of Final Appeal has expired and the Plaintiff made no application for leave to appeal to the Court of Final Appeal. The Defendants have recovered all their costs incurred at the Court of First Instance level and the Court of Appeal level from the Plaintiff.



The Directors consider that the matters have been concluded as the Plaintiff's claims have been finally dismissed by the Court of Appeal and the Defendants have recovered all costs incurred in the above action and Appeal. On 25 January 2017 the Plaintiff lately brought his claim for costs of certain interlocutory applications in the above action in the aggregate sum of HK\$737,117.95 and commenced taxation proceedings. The Defendants considered that the claim for costs was grossly inflated and would seek the taxing master's determination on the quantum of costs as claimed.

- (b) 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.

There is not much development in the case apart from that the court ordered the petitioner to file a list of documents which has been filed on 27th January 2017.

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, during the nine months ended 31 March 2017, 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

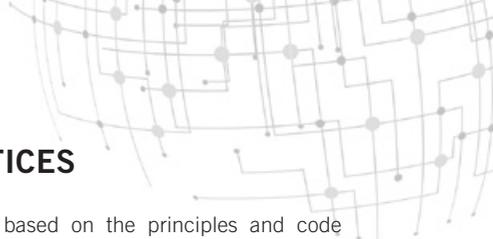
The audit committee of the Company (“AC”) was set up on 5 July 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the AC are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this report, the AC comprises of three members, Mr. Lee Ho Yiu, Thomas, Mr. Tse Yuen Ming and Ms. Liu Jianyi, all being independent non-executive Directors. The AC is chaired by Mr. Lee Ho Yiu, Thomas. 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.

REMUNERATION COMMITTEE

A remuneration committee of the Company (“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 comprises of three members, namely Mr. Lau King Hang, being an executive Director, Mr. Lee Ho Yiu, Thomas and Ms. Liu Jianyi, both being independent non-executive Directors. The RC is chaired by Ms. Liu Jianyi. 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 of the Company (“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 comprises of five members, namely Mr. Lau King Hang and Dr. Chan Yiu Wing, being executive Directors, Mr. Lee Ho Yiu, Thomas, Mr. Tse Yuen Ming and Ms. Liu Jianyi, 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 of the Company.



CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

During the nine months ended 31 March 2017, the Company has complied with most of the Code Provisions of the CG Code, except for the deviation described below.

CODE PROVISION A.2.1

Under code provision A.2.1 of the CG code, the roles of the chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company has not appointed chairman since 23 January 2015, and the roles and functions of the chairman have been performed by all the executive directors collectively. The Company also has not appointed CEO since 9 April 2015, and the roles and functions of the CEO have been performed by all the executive directors collectively. The Board will keep reviewing the current structure of the Board from time to time and is in the process of recruiting candidates with suitable knowledge, skill and experience to fill the posts of the chairman and the CEO as appropriate. The Company will make further announcement as and when required pursuant to the GEM Listing Rules.

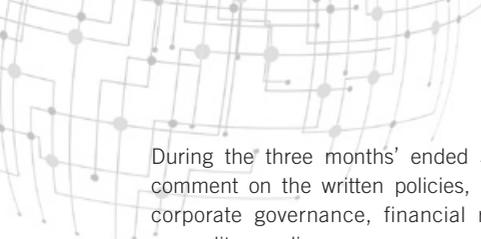
CODE PROVISION E.1.2

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairman of each of the AC, RC and NC together with any other committees (as appropriate) to attend. During the nine months ended 31 March 2017, Mr. Tse Yuen Ming did not attend the Company's annual general meeting held on 14 October 2016 and special general meeting held on 17 October 2016 to answer questions of the shareholders of the Company due to other prior business engagements.

INTERNAL CONTROL

The Board is committed to implement an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets.

To further monitor and assess the effectiveness of the internal control system, the Company has appointed Elite Partners Risk Advisory Services Limited ("Elite Partners") as the internal control advisor of the Group to perform quarterly review on the risk management function and the audit on the internal control system.



During the three months' ended 31 March 2017, Elite Partners performed review and comment on the written policies, procedures and the internal control systems regarding corporate governance, financial reporting, investment policy and control and capital expenditure policy.

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, 11 May 2017

As at the date of this report, the Directors are:–

Executive Directors:

Mr. Ha Chuen Yeung
Mr. Lau King Hang
Dr. Chan Yiu Wing
Mr. Mazher Hussain

Independent Non-Executive Directors:

Mr. Lee Ho Yiu, Thomas
Mr. Tse Yuen Ming
Ms. Liu Jianyi