



THIRD  
QUARTERLY  
REPORT  
2017/18

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



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

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

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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Given that the companies listed on GEM are generally small and mid-sized companies, 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 other matters the omission of which would make any statement herein or this report misleading.*

## CORPORATE INFORMATION

### Board of Directors

Mr. Ha Chuen Yeung  
Mr. Lau King Hang  
Dr. Chan Yiu Wing  
Mr. Mazher Hussain  
Mr. Wong Ting Kon\*  
(appointed on 15 February 2018)  
Mr. Tse Yuen Ming\*  
Ms. Liu Jianyi\*  
Mr. Lee Ho Yiu, Thomas\*  
(resigned on 2 February 2018)  
Mr. Cai Chun Fai\*  
(appointed on 2 February 2018 and  
resigned on 14 February 2018)

\* 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. Wong Ting Kon (*Chairman*)  
(appointed on 15 February 2018)  
Mr. Tse Yuen Ming  
Ms. Liu Jianyi  
Mr. Lee Ho Yiu, Thomas (*Chairman*)  
(ceased on 2 February 2018)  
Mr. Cai Chun Fai (*Chairman*)  
(appointed on 2 February 2018  
and resigned on 14 February 2018)

### Nomination Committee Members

Ms. Liu Jianyi (*Chairman*)  
Mr. Wong Ting Kon  
(appointed on 15 February 2018)  
Mr. Tse Yuen Ming  
Dr. Chan Yiu Wing  
Mr. Lau King Hang  
Mr. Lee Ho Yiu, Thomas  
(ceased on 2 February 2018)  
Mr. Cai Chun Fai  
(appointed on 2 February 2018 and  
resigned on 14 February 2018)

### Remuneration Committee

Ms. Liu Jianyi (*Chairman*)  
Mr. Wong Ting Kon  
(appointed on 15 February 2018)  
Mr. Lau King Hang  
Mr. Lee Ho Yiu, Thomas  
(ceased on 2 February 2018)  
Mr. Cai Chun Fai  
(appointed on 2 February 2018 and  
resigned on 14 February 2018)

### Head Office and Principal Place of Business

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

### Auditor

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 2018 amounted to approximately HK\$33,279,000 (2017: approximately HK\$40,411,000), representing a decrease of approximately 17.65% as compared to amount reported in the corresponding period in 2017.
- Profit attributable to owners of the Company for the nine months ended 31 March 2018 amounted to approximately HK\$449,046,000 (2017: loss of approximately HK\$94,448,000).
- Basic earnings per share amounted to approximately HK\$0.44 for the nine months ended 31 March 2018 (2017: basic loss per share approximately HK\$0.0967).
- The Board did not recommend the payment of a dividend for the nine months ended 31 March 2018.

## THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of 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 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follow:–

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the three months ended 31 March 2018		Unaudited For the nine months ended 31 March 2017	
		HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	<b>13,160</b>	14,187	<b>33,279</b>	40,411
Cost of sales		<b>(8,342)</b>	(11,369)	<b>(25,158)</b>	(34,952)
Gross profit		<b>4,818</b>	2,818	<b>8,121</b>	5,459
Other revenue and net income		<b>2,255</b>	34	<b>26,199</b>	2,538
Marketing and promotion expenses		<b>(359)</b>	(69)	<b>(849)</b>	(603)
Administrative expenses		<b>(3,918)</b>	(5,476)	<b>(17,636)</b>	(17,974)
Finance costs		<b>(33)</b>	(1,182)	<b>(53)</b>	(6,097)
Gain/(loss) on fair value change in trading securities		–	–	<b>(1)</b>	5
Loss on repayment of promissory notes		–	–	–	(50,719)
Loss on repayment of borrowing		–	–	–	(27,155)
Loss on issuance of convertible bonds		<b>(1,900)</b>	–	<b>(1,900)</b>	–
Fair value gain/(loss) on convertible bonds		<b>32,553</b>	–	<b>435,368</b>	–
<b>Profit/(Loss) before income tax</b>		<b>33,416</b>	(3,875)	<b>449,249</b>	(94,546)
Income tax	4	<b>(203)</b>	33	<b>(203)</b>	98
<b>Profit/(Loss) for the period</b>		<b>33,213</b>	(3,842)	<b>449,046</b>	(94,448)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Notes	Unaudited For the three months ended 31 March		Unaudited For the nine months ended 31 March	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Profit/(Loss) for the period attributable to:</b>					
Owners of the Company		<b>33,213</b>	(3,842)	<b>449,046</b>	(94,448)
<b>Earnings/(Loss) per share attributable to owners of the Company</b>					
– Basic (HK\$ per share)	5	<b>0.032</b>	(0.0074)	<b>0.44</b>	(0.0967)
– Diluted (HK\$ per share)	5	<b>0.0004</b>	(0.0074)	<b>0.008</b>	(0.0967)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited		Unaudited	
	For the three months		For the nine months	
	ended 31 March	ended 31 March	ended 31 March	ended 31 March
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit/(Loss) for the period</b>	<b>33,213</b>	<b>(3,842)</b>	<b>449,046</b>	<b>(94,448)</b>
<b>Other comprehensive (loss)/income</b>				
Exchange difference arising on translation of financial statements of overseas subsidiaries	505	3	2,815	(43)
<b>Total comprehensive income/(loss) for the period</b>	<b>33,718</b>	<b>(3,839)</b>	<b>451,861</b>	<b>(94,491)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	33,718	(3,839)	451,861	(94,491)



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2018

	Share capital	Share premium	Share options reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Other reserves	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2016 (Audited)	79,625	1,049,931	38,628	-	52,959	43	161	(743)	(1,354,934)	(134,330)
Placing of shares	15,925	(1,275)	-	-	-	-	-	-	-	14,650
Capital reorganisation	(93,639)	-	-	-	93,639	-	-	-	-	-
Issue of subscription shares	750	-	-	-	-	-	-	-	-	750
Placing of shares	318	10,494	-	-	-	-	-	-	-	10,812
Issue of Convertible bonds	7,000	97,215	-	56,523	-	-	-	-	-	160,738
	9,979	1,156,365	38,628	56,523	146,598	43	161	(743)	(1,354,934)	52,620
Loss for the period	-	-	-	-	-	-	-	-	(94,448)	(94,448)
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(43)	-	-	(43)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(43)	-	(94,448)	(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)
At 1 July 2017 (Audited)	9,979	1,532,739	38,628	-	146,598	43	3,280	(743)	(2,314,750)	(584,226)
Issue of Convertible bonds	500	9,400	-	-	-	-	-	-	-	9,900
	10,479	1,542,139	38,628	-	146,598	43	3,280	(743)	(2,314,750)	(574,326)
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	449,046	449,046
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	2,815	-	-	2,815
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	2,815	-	449,046	451,861
Lapse of share option	-	-	(23,133)	-	-	-	-	-	-	(23,133)
At 31 March 2018	10,479	1,542,139	15,495	-	146,598	43	6,095	(743)	(1,865,704)	(145,598)

Notes:

## 1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 March 2018 (“Third 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 dollars 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 Third Quarterly Results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and all the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). In addition, the Third Quarterly Results also comply with the applicable disclosure provisions required by the GEM Listing Rules. The Third Quarterly Results should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 30 June 2017 (“Annual Report”).

As at 31 March 2018, the Group had net liabilities of approximately HK\$145,594,000 (30 June 2017: approximately HK\$584,226,000).

In preparing the Third Quarterly Results, 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 reviewed the Group’s financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

- (a) possible fund raising activities including, but not limited to, further placing, rights issues or open offer are to be attempted;
- (b) the Group is in negotiation with financial institutions for new borrowings and applying for future credit facilities; and
- (c) the management plans to improve the Group’s financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide a growing and recurring source of income.

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

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

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 needs. The Third Quarterly Results do not include any adjustments that may result if the measures could not be implemented successfully. If the proposed measures could not proceed successfully and the going concern basis was not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

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 Third Quarterly Results on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

The Third 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 Third 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 Third 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"), from event management and marketing services and money lending business in Hong Kong. The amount of revenue recognised during the period is as follows:

	Unaudited For the nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Outdoor advertising on buses and bus stations	30,943	39,356
Event management and marketing services	2,206	1,055
Money lending business	130	–
	<b>33,279</b>	<b>40,411</b>

#### 4. INCOME TAX

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

	Unaudited For the nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
<b>Current tax</b>		
PRC Enterprise Income Tax	–	–
<b>Deferred tax</b>		
Current tax	203	(98)
Tax credit for the period	203	(98)

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 (2017: Nil).

#### 5. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share shown in the unaudited condensed consolidated statement of profit or loss are calculated based on the following profit/(loss) attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period.

##### Profit/(Loss) attributable to the owners of the Company

	Three months ended 31 March		Nine months ended 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Profit/(Loss) attributable to owners of the Company (Basic)	33,213	(3,842)	449,046	(94,448)
Adjustment:				
Fair value gain on convertible bonds	(32,553)	–	(435,368)	–
Profit/(Loss) attributable to owners of the Company (dilutive)	660	(3,842)	13,678	(94,448)

##### Weighted average number of ordinary shares

	Three months ended 31 March		Nine months ended 31 March	
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average number of ordinary shares for the period (for basic earnings/(loss) per share)	1,047,949	1,631,568	1,014,616	1,174,297
Effect of assumed conversion of convertible bonds	605,000	–	605,000	–
Weighted average number of ordinary shares for the period (for dilutive earnings/(loss) per share)	1,652,949	1,631,568	1,619,616	1,174,297

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the nine months ended 31 March 2018, the Group's unaudited consolidated revenue amounted to approximately HK\$33,279,000 (2017: approximately HK\$40,411,000).

The Group recorded a profit for the period attributable to owners of the Company of approximately HK\$449,046,000 for the nine months ended 31 March 2018 (2017: loss approximately HK\$94,448,000) representing an increase of approximately 4.75 times as compared to that of the corresponding period in 2017. Such turnaround for the nine months ended 31 March 2018 was mainly due to the gain on changes in fair value of convertible bonds.

Basic earnings per share for the nine months ended 31 March 2018 was approximately HK\$0.44 (2017: basic loss per share of approximately HK\$0.0967).

### Buses and bus stations advertising business in PRC

During the nine months ended 31 March 2018, the Group continues to focus on the business operations of outdoor advertising on bus body and bus station in the PRC. The Group offers customers (mainly from media agency and medical and communications industry) advertising solutions, making use of the large-screen advertising space for the whole car with the service scope of planning, graphic design, installation and maintenance.

The Group will continue to pursue development in the following ways:

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

During the nine months ended 31 March 2018, as a result of the additional efforts made, the Group's bus advertising business in the PRC reported a 21.38% decrease in revenue to approximately HK\$30,943,000 from approximately HK\$39,356,000 in the corresponding period in 2017.

## Television advertisement business in the 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 2018 (2017: Nil).

## Event management and marketing services in Hong Kong

The Group commenced event management and marketing services business in Hong Kong in October 2016 which is now one of the sources of income of the Group. The Group would provide tailor-made and customized event management services in Hong Kong to exhibitors and organizers. During the nine months ended 31 March 2018, the Group reported revenue amounting to approximately HK\$2,206,000, representing 109% increase from approximately HK\$1,055,000 in the corresponding period in 2017.

## Money lending business in Hong Kong

The Group has successfully obtained a money lending licence in November 2017 and commenced money lending business in Hong Kong in February 2018 which is now one of the sources of income of the Group. During the nine months ended 31 March 2018, the money lending business in Hong Kong reported revenue amounting to approximately HK\$130,000.

## Other business

The Group will focus on its existing businesses and will keep looking for any other business opportunities for new possible potential investment to improve the overall performance of the Group and improve the Company's shareholders' return.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the net current liabilities of the Group were approximately HK\$160,920,000 (30 June 2017: approximately HK\$73,349,000). Out of the current assets as at 31 March 2018, approximately HK\$3,229,000 (30 June 2017: approximately HK\$10,806,000) were cash and cash equivalents. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.13 times as at 31 March 2018 (30 June 2017: approximately 0.20 times).

As at 31 March 2018, the Group has borrowings of HK\$10,000,000 (30 June 2017: Nil) and other debts of convertible bonds of approximately HK\$126,445,000 (30 June 2017: approximately HK\$43,640,000). The net debt (being total short-term borrowings and other debt less cash and cash equivalents) as at 31 March 2018 was approximately HK\$133,216,000 (30 June 2017: approximately HK\$32,834,000) and accordingly net debt gearing ratio (being net debt/net assets) as at 31 March 2018 was nil (30 June 2017: nil).

The Group did not have any stand-by banking facilities as at 31 March 2018 and 30 June 2017.

As at 31 March 2018, the Group had cash and cash equivalents of approximately HK\$3,229,000 (30 June 2017: approximately HK\$10,806,000) 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.

## **DIVIDEND**

The Directors did not recommend the payment of a dividend for the nine months ended 31 March 2018 (2017: Nil).

## **CAPITAL STRUCTURE**

As at 31 March 2018, the Company's issued share capital was HK\$10,479,490.99 and the number of its issued ordinary shares was 1,047,949,099 shares of HK\$0.01 each (“Shares”).

## **CONVERTIBLE BONDS**

1. On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$60,500,000 due in November 2018 with conversion price of HK\$0.10 per share to Profit Eagle Limited. The maturity date is the date falling on the 24 months of the date of issue of the convertible bonds. As at 31 March 2018, such convertible bonds in the aggregate principal amount of HK\$60,500,000 remains outstanding.

2. On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$50,000,000 due in May 2018 with conversion price of HK\$0.10 per share to Ms. Kuo Yi-Hui. The convertible bonds has an interest rate of 3% per annum and its maturity date is the date falling on the 18 months of the date of issue of such convertible bonds. As at 31 March 2018, such convertible bonds with a total principal amount of HK\$50,000,000 have been fully converted into 500,000,000 conversion shares.
3. On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$25,000,000 due in November 2018 with conversion price of HK\$0.10 per share to not less than 6 placees. The convertible bonds has an interest rate of 3% interest per annum and its maturity date is the date falling on the 24 months of the date of issue of such convertible bonds. As at 31 March 2018, such convertible bonds with a total principal amount of HK\$25,000,000 have been fully converted into 250,000,000 conversion shares.

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

On 29 June 2017, the Company entered into a memorandum of understanding (“MOU”) with the vendors in relation to the possible acquisition of the entire or part of the issued share capital of the target company in which the target group is principally engaged in real estate development in the PRC.

On 28 September 2017, the Company announced that as no definitive agreement was entered into among the Company and the vendors on or before 28 September 2017, the MOU has automatically lapsed and no party under the MOU shall have any obligations and liabilities to each other save for any antecedent breach upon the lapse of the MOU.

For details, please refer to the announcements of the Company dated 29 June 2017 and 28 September 2017 respectively.

Save as disclosed above, the Group had no other acquisition or disposal during the nine months ended 31 March 2018.



## 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.

The Company did not charge any of its assets as securities for any facilities granted to the Group as at 31 March 2018.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2018.

## 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 in the RMB.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 March 2018, 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 2018, 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 2018, 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 52 as at 31 March 2018 (2017: 61), and the total staff costs (including Directors' remuneration) for the nine months ended 31 March 2018 was approximately HK\$8,434,000 (2017: HK\$3,984,000). 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 SCHEMES

The Company's share option scheme which was adopted on 5 July 2002 ("Old Scheme") has 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 held 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 2018.

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 New Scheme 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 New Scheme. 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 New Scheme 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 3 November 2017 at the annual general meeting of the Company. Based on 997,949,099 shares of the Company in issue as at 3 November 2017, 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 New Scheme or any other share option schemes of the Company must not, in aggregate, exceed 99,794,909 Shares, being 10% of the shares in issue as at 3 November 2017. The Company has not granted any options under the New Scheme since its adoption.

As at 31 March 2018, (i) there were 5,340 options granted and outstanding under the Old Scheme representing approximately 0.0005% of the total number of shares of the Company in issue as at 31 March 2018; and (ii) the Company was allowed to grant options up to 99,794,909 Shares under the New Scheme after the refreshment on 3 November 2017.

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 2018, were as follows:

	Date of grant	Number of share options				Outstanding as at 31 March 2018	Option period	Exercise price per share
		Outstanding as at 1 July 2017	Granted during the period	Exercised during the period	Lapsed during the period			
Former directors, senior management, other employees and consultants	23 August 2007	2,250	-	-	(2,250)	-	23 August 2007 to 22 August 2017	HK\$19,538.80
	9 September 2008	995	-	-	-	995	9 September 2008 to 8 September 2018	HK\$5,396.95
	11 September 2008	709	-	-	-	709	11 September 2008 to 10 September 2018	HK\$6,047.30
	16 December 2008	709	-	-	-	709	16 December 2008 to 15 December 2018	HK\$2,363.50
	17 February 2009	386	-	-	-	386	17 February 2009 to 16 February 2019	HK\$3,070.90
	29 May 2009	386	-	-	-	386	29 May 2009 to 28 May 2019	HK\$2,728.60
	31 December 2009	220	-	-	-	220	31 December 2009 to 30 December 2019	HK\$1,395.30
	15 January 2010	1,935	-	-	-	1,935	15 January 2010 to 14 January 2020	HK\$2,264.05
<b>Total</b>		<b>7,590</b>	<b>-</b>	<b>-</b>	<b>(2,250)</b>	<b>5,340</b>		

## **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 2018, 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 2018, 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 (Note 2)	Total number of Shares and underlying Shares interested	Approximately percentage of shareholding
Profit Eagle Limited (Note 1)	Beneficial owner	75,000,000	605,000,000	680,000,000	64.89%
Lee Kuo-Juy (Note 1)	Interest of a controlled corporation	75,000,000	605,000,000	680,000,000	64.89%
Kuo Yi-Hui	Beneficial owner	200,000,000	-	200,000,000	19.08%
Kwong Kai Sing Benny	Beneficial owner	100,000,000	-	100,000,000	9.54%
Leung Ka Wei Angela	Beneficial owner	76,000,000	-	76,000,000	7.25%

### Notes:

1. 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.
2. These shares may be allotted and issued upon exercise of the conversion rights attached to the convertible bonds issued by the Company.

Save as disclosed above, as at 31 March 2018, 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 2018 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 2018.

## **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 2018.

## **DIRECTORS' INTEREST IN COMPETING INTERESTS**

During the nine months ended 31 March 2018, 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 2018, 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.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTION 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 (“Securities Code”). 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 all costs orders made by the Court of Appeal and at the court below have been fully settled and satisfied.

- (b) On 14 January 2011, a Writ of 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 of all its interest in them.

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

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

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

- (c) On 30 January 2015, the Securities and Futures Commission ("the Petitioner") presented a Petition to the High Court pursuant to section 214 of the Securities and Future Ordinance, Cap. 571 of the laws of Hong Kong ("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") ("the Petition Proceedings"). It is the Petitioner's complaints that the Ex-Directors had conducted the business or affairs of the Company in a manner involving misfeasance or misconduct towards 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 damages for loss and damage 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.

Pursuant to an Order of the High Court, the Company commenced civil proceedings against the Ex-Directors on 10 March 2015 (“the Writ Action”). However, since the Petition Proceedings and the Writ Action arose out of the same facts and the determination of the factual issues in the Petition Proceedings will have a bearing on the scope of the issues in dispute in the Writ Action, the parties in the Writ Action jointly applied to the Court on 13 November 2017 for a stay of the Writ Action pending the final determination of the Petition Proceedings (“the Joint Application”). On 13 February 2018, the Company further filed an affirmation in support of the Joint Application. The Company is waiting for the Court’s directions in respect of the Joint Application as of 31 March 2018.

Upon the Company bringing in its name civil proceedings against the Ex-Directors to seek recovery of compensation or damages for loss and damage suffered by the Company as a result of their misfeasance or misconduct or unfairly prejudicial conduct in the Writ Action, such relief was deleted by the Petitioner by filing an amended petition on 29 December 2016 in the Petition Proceedings.

The Petition Proceedings is currently listed for hearing on 12 April 2018 for further directions.

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 2018, 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 Board (“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 system, risk management and internal control system of the Group. As of the date of this report, the AC comprises of three members, Mr. Wong Ting Kon, Mr. Tse Yuen Ming and Ms. Liu Jianyi, all being independent non-executive Directors. The AC is chaired by Mr. Wong Ting Kon. The unaudited consolidated financial statements for the nine months ended 31 March 2018 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 Board (“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. Wong Ting Kon and Ms. Liu Jianyi, both being independent non-executive Directors. The RC is chaired by Ms. Liu Jianyi. The roles of the RC are to recommend to the Board the policy and structure for the remuneration of all Directors and senior management and to determine, with delegated responsibility, the remuneration packages of individual executive Director and senior management with reference to the Board’s corporate goals and objectives, and to make recommendations to the Board on the remuneration of non-executive Directors. They are provided with sufficient resources by the Company to discharge its duties. No individual Director is involved in deciding his or her own remuneration.

## NOMINATION COMMITTEE

The nomination committee of the Board (“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, all being an executive Directors, Mr. Wong Ting Kon, Mr. Tse Yuen Ming 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.

## **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 2018, 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 identifying suitable candidates to fill the posts of the chairman and the chief executive officer. The Company will make further announcement as and when required pursuant to the GEM Listing Rules.

## **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 2018, Elite Partners performed review and comment on the written policies, procedures and the internal control systems regarding financial reporting, investment policies and controls and corporate governance and risk management.

## PUBLICATION OF INFORMATION ON WEBSITES

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

By order of the Board

**Ha Chuen Yeung**

*Executive Director*

Hong Kong, 9 May 2018

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. Wong Ting Kon

Mr. Tse Yuen Ming

Ms. Liu Jianyi