

**INNO-TECH HOLDINGS LIMITED**

匯創控股有限公司

First Quarterly Report

2018/19



**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”)

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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. Pu Haiyong

Mr. Wong Yu

Mr. Lau King Hang

Dr. Chan Yiu Wing

Mr. Zhang Baocai

*(Appointed on 2 Nov 2018)*

Mr. Leung Chung Nam\*

*(Resigned on 8 Nov 2018)*

Mr. Tse Yuen Ming\*

Ms. Liu Jianyi\*

Mr. Jian Zhaolin

*(Appointed on 2 Nov 2018)*

*(Resigned on 5 Nov 2018)*

\* Independent non-executive Directors

### Compliance Officer

Mr. Chan Cheung

### Authorised Representatives

Mr. Wong Yu

Mr. Chan Cheung

### Company Secretary

Mr. Chan Cheung

### Audit Committee

Mr. Leung Chung Nam *(Chairman)*

*(Resigned on 8 Nov 2018)*

Mr. Tse Yuen Ming

Ms. Liu Jianyi

### Nomination Committee

Ms. Liu Jianyi *(Chairman)*

Mr. Leung Chung Nam

*(Resigned on 8 Nov 2018)*

Mr. Tse Yuen Ming

Dr. Chan Yiu Wing

Mr. Lau King Hang

### Remuneration Committee

Ms. Liu Jianyi *(Chairman)*

Mr. Leung Chung Nam

*(Resigned on 8 Nov 2018)*

Mr. Lau King Hang

### Head Office and Principal Place of Business

Unit No. 1015, Level 10, Tower 1,

Grand Century Place,

Mong Kok, Kowloon

### 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 Registrar 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 three months ended 30 September 2018 amounted to approximately HK\$6,432,000, representing a decrease of approximately 50.9% as compared to amount reported in the corresponding period in 2017.
- Profit attributable to owners of the Company for the three months ended 30 September 2018 amounted to approximately HK\$400,008,000 (2017: profit of approximately HK\$418,720,000).
- Basic earning per share amounted to approximately HK\$0.38 for the three months ended 30 September 2018 (2017: profit per share HK\$0.841).
- The Board did not recommend the payment of a dividend for the three months ended 30 September 2018.

## FIRST QUARTERLY RESULTS (UNAUDITED)

For the three months ended 30 September 2018

The board of Directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017 (the “Relevant Periods”) as follows:–

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 September 2018

		Unaudited For the three months ended 30 September	
	Notes	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>			
Revenue	3	6,432	13,103
Cost of sales		(5,800)	(12,500)
<hr/>			
Gross profit		632	603
Other revenue and net income		–	23,140
Marketing and promotion expenses		(89)	(402)
Administrative expenses		(3,718)	(7,573)
Finance costs		(15)	–
Loss on fair value change in trading securities		(2)	(13)
Gain on fair value on convertible bonds		403,200	402,965
<hr/>			
<b>Profit/(Loss) before income tax</b>		<b>400,008</b>	418,720
Income tax	4	–	–
<hr/>			
<b>Profit/(Loss) for the period from continuing operations</b>		<b>400,008</b>	418,720
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		–	–
<hr/>			
<b>Profit/(Loss) for the period</b>		<b>400,008</b>	418,720

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

*For the three months ended 30 September 2018*

		Unaudited	
		For the three months ended	
		30 September	
		2018	2017
	Notes	HK\$'000	HK\$'000
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		400,008	418,720
		<b>400,008</b>	418,720
<b>Profit/(Loss) per share attributable to the owners of the Company</b>			
– Basic and diluted (HK\$ per share)	5	0.380	0.841

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months ended 30 September 2018*

	Unaudited	
	For the three months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
<b>Profit/(Loss) for the period</b>	<b>400,008</b>	418,720
<b>Other comprehensive income/(loss)</b>		
Exchange difference arising on translation of financial statements of overseas subsidiaries	–	(1,917)
<b>Total comprehensive profit/(loss) for the period</b>	<b>400,008</b>	416,803
<b>Total comprehensive profit/(loss) attributable to:</b>		
Owners of the Company	400,008	416,803
	<b>400,008</b>	416,803

Notes:

## 1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 2018 (“First Quarterly Results”) have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

During the three months ended 30 September 2018, the Group incurred a profit attributable to the owners of the Company of approximately HK\$400,008,000 (2017: profit approximately HK\$418,720,000) and had net liabilities of approximately HK\$177,629,460 as at 30 September 2018 (2017: HK\$186,723,890).

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. The Directors 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.



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

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.

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

In the opinion of the directors of the Company, in light of the various measures or arrangements implemented or will be implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The accounting policies and methods of computation applied in the preparation of the First Quarterly Results are consistent with those applied in preparing the annual financial statements of the Group for the year ended 30 June 2018 ("Annual Report"). The First Quarterly Results should be read in conjunction with the Annual Report.

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

At the date of authorisation of the First 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 income from the advertising operations and from event management and marketing services in Hong Kong. The amount of revenue recognized during the period is as follows:

	Unaudited For the three months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Outdoor advertising	6,200	13,103
Interest income from money lending	232	–

### 4. INCOME TAX

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

	Unaudited For the three months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
<b>Current tax</b>		
PRC Enterprise Income Tax	–	–
<b>Deferred tax</b>		
Current tax	–	–
Tax credit for the period	–	–

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and the PRC respectively during the period (2017: Nil).

## 5. EARNING/LOSS PER SHARE

The calculation of basic earning/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 profit/(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 earning/loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding convertible bonds/notes, share options, where applicable had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share for the respective periods are equal.

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

	<b>Unaudited</b>	
	<b>For the three months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(Loss) for the period attributable to the owners of the Company	<b>400,008</b>	418,720
	<b>Number of shares</b>	
	<b>For the three months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation (note)	<b>1,052,949</b>	497,949

## 6. RESERVES

	Attributable to the owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2017 (audited)	9,979	1,532,739	38,628	146,598	43	3,280	(743)	(2,314,750)	(584,226)
Profit/(Loss) for the period	-	-	(23,134)	-	-	-	-	418,720	395,586
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	-	-	1,917	-	-	1,917
Total comprehensive loss for the period	-	-	(23,134)	-	-	1,917	-	418,720	397,503
At 30 September 2017 (unaudited)	9,979	1,532,739	15,494	146,598	43	5,197	(743)	(1,896,030)	(186,723)
At 1 July 2018 (audited)	10,529	1,542,989	15,495	146,598	43	279	(743)	(1,889,422)	(174,232)
Profit/(Loss) for the period	0	0	0	0	0	0	0	(3,192)	(3,192)
Exchange difference on translation of financial statement of overseas subsidiaries	0	0	0	0	0	0	0	0	0
Total comprehensive loss for the period	0	0	0	0	0	0	0	(3,192)	(3,192)
At 30 September 2018 (unaudited)	10,529	1,542,989	15,495	146,598	43	279	(743)	(1,892,614)	(177,424)

## DIVIDEND

The Directors did not recommend the payment of a dividend for the three months ended 30 September 2018 (2017: Nil).

## BUSINESS REVIEW

For the three months ended 30 September 2018, the Group's unaudited consolidated revenue amounted to approximately HK\$6,432,000 (2017: HK\$13,103,000).

The Group recorded a profit for the period attributable to owners of the Company of approximately HK\$400,008,000 for the three months ended 30 September 2018 (2017: profit approximately HK\$418,720,000) representing a decrease of approximately 4.47% as compared to that of the corresponding period in 2017. The profit for the three months ended 30 September 2018 was mainly due to gain on fair value on convertible bonds.

Basic earning per share for the three months ended 30 September 2018 was HK\$0.380 (2017: earning per share HK\$0.841).

### Outdoor advertising business

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

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

During the three months ended 30 September 2018, the Group's outdoor advertising business reported a 52.7% decrease in revenue to HK\$6,200,000 from HK\$13,103,000 in the corresponding period in 2017.

## Event management and marketing services in Hong Kong

The Group commenced event management and marketing services business in Hong Kong in October 2016, the Group provide services to exhibitors and organizers in numerous events and would provide tailor-made and customized services for clients according to their specific needs for event promotion, event organization and event arrangement. There is no revenue reported during the three months ended 30 September 2018 (2017: Nil).

## PROSPECTS

The board of directors of the Company (the “Board”) will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the shareholders of the Company (the “Shareholders”).

The Board will take a cautious and conservative approach in the evaluation and timing of potential projects or investments, including and constantly keep reviewing the Group’s strategies and operations with a view to improve its business performance and Shareholders’ returns.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the net current liabilities of the Group were approximately HK\$178,179,000 (30 June 2018: HK\$174,478,000). Out of the current assets as at 30 September 2018, approximately HK\$4,290,000 (30 June 2018: HK\$4,883,000) were cash and cash equivalents. The current ratio of the Group as at 30 September 2018 was 0.15 (30 June 2018: 0.13). As at 30 September 2018, the Group has borrowings of HK\$15,500,000 (30 June 2018: HK\$10,500,000) and other debts of convertible bonds of approximately of HK\$118,800,000 (30 June 2018: HK\$118,800,000) denominated in Hong Kong dollars. The net debt (i.e. total short-term borrowings and other debts less cash and cash equivalent) as at 30 September 2018 was HK\$205,064,000 (30 June 2018: HK\$196,809,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 30 September 2018 was nil (30 June 2018: Nil).

The Group did not have any stand-by banking facilities as at 30 September 2018 and 30 June 2018 respectively.

As at 30 September 2018, the Group had cash and cash equivalents of approximately HK\$4,290,000 (30 June 2018: HK\$4,883,000) which are mainly denominated in Hong Kong dollars and Renminbi (“RMB”). The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings and equity financing.

Save as disclosed in this report, the Group has no material capital expenditure commitments as at 30 September 2018.

## **CAPITAL STRUCTURE**

As at 30 September 2018, the Company’s issued share capital was HK\$10,529,490.99 and the number of its issued ordinary shares was 1,052,949,099 shares of HK\$0.01 each (“Shares”).

## **CONVERTIBLE BONDS**

On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$60.50 million (the “CB1”) due in November 2018 with conversion price of HK\$0.10 per conversion share to Profit Eagle Limited. The CB1 does 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 30 September 2018, the CB1 in the aggregate principal amount of HK\$60.00 million remains outstanding.

On 7 November 2016, the Company issued convertible bonds with principal amount of HK\$50 million (the “CB2”) due in May 2018 with conversion price of HK\$0.10 per conversion share to Ms. Kuo Yi-Hui. The CB2 has an interest rate of 3% per annum. The maturity date is the date falling on the 18 months of the date of issue of the CB2. As at 30 September 2018, the CB2 amounting to HK\$50 million have been fully converted into 500,000,000 shares.

On 7 November 2016, the Company issued convertible bonds with aggregate principal amount of HK\$25 million (the “CB3”) due in November 2018 with conversion price of HK\$0.10 per conversion share to not less than 6 placees. The CB3 has an interest rate of 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 30 September 2018, the CB3 with a total principal amount of HK\$25 million have been fully converted into 250,000,000 shares.

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

The Group had no other acquisition or disposal during the three months ended 30 September 2018.

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 did not charge any of its assets as securities for any facilities granted to the Group as at 30 September 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 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 30 September 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 currencies which are mainly HK\$ or RMB.

As at 30 September 2018, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 September 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 76 as at 30 September 2018 (2017: 55), and the total staff costs (including Directors' remuneration) for the three months ended 30 September 2018 was approximately HK\$1,455,000 (2017: HK\$4,219,000). 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") was expired and a new share option scheme ("New Scheme", together with Old Scheme, the "Share Option Schemes") was adopted by an ordinary resolution passed by the shareholders at the annual general meeting the Company on 23 November 2012 ("Adoption Date"). The New Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date. Apart from the Share Option Schemes, the Company has no other share option scheme as at 30 September 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 Share Option Schemes and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Schemes. The Company may seek approval by the shareholders at general meeting to refresh the 10% limit (the "Option Scheme Limit"). However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Schemes in these circumstances must not exceed 10% of the number of the issued share of the Company as at the date of approval of the refreshment of the Option Scheme Limit.

The Option Scheme Limit has been refreshed on 30 December 2014 at the general meeting. Based on 796,246,784 shares of the Company in issue as at 30 December 2014, the maximum number of shares of the Company which may be issued upon the exercise of all the options granted or to be granted under the New Scheme 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 30 September 2018, (i) there were 3,636 options granted and outstanding under the Old Scheme representing approximately 0.0003% of the total number of shares of the Company in issue as at 30 September 2018; 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 reorganisation 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 three months ended 30 September 2018, were as follows:

Date of grant	Number of share options				Outstanding as at 30 September 2018	Option period	Exercise price per share
	Outstanding as at 1 July 2018	Granted during the period	Exercised during the period	Lapsed during the period			
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>5,340</b>	<b>–</b>	<b>–</b>	<b>(1,704)</b>	<b>3,636</b>		

## COMPLIANCE ADVISER'S INTEREST

As at 30 September 2018, as notified by the then Company's compliance adviser, Gram Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 19 September 2018, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

As at 30 September 2018, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were 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 referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 September 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 were 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 were 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
Wealthy ELM (Note 1)	Beneficial owner	250,000,000	600,000,000	850,000,000	51.42%

Notes:

- Wealthy ELM Limited is wholly-owned by Mr. Pu Haiyong and, therefore, Mr. Pu Haiyong is deemed to be interested in the 850,000,000 shares and underlying shares held by Wealthy ELM Limited.
- 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 30 September 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 three months ended 30 September 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 three months ended 30 September 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 three months ended 30 September 2018.

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

During the three months ended 30 September 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 30 September 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.

## CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Securities Code”). 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. The taxation hearing of the Plaintiff's claim for costs will be held on 13 December 2017.

- (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") under action no. HCMP 241 of 2015 ("HCMP 241/2015") 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 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 under action no. HCA 489 of 2015 (“HCA 489/2015”). The parties attended a mediation conference on 22 February 2017 but no settlement was reached. There has been no progress in this case since the mediation conference.

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 HCA 489/2015, such relief was deleted by the Petitioner by filing an amended petition on 29 December 2016 in HCMP 241/2015.

There has been no development in HCMP 241/2015 after the Petitioner filed its list of documents on 26th 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 three months ended 30 September 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.

## **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 three months ended 30 September 2018, the Company has complied with most of the Code Provisions of the CG Code, except for the deviation described below.



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 should candidates with suitable knowledge, skill and experience be identified, the Company has made appointment to fill the posts of the chairman and the CEO of Mr. Pu Haiyong as Chairman and Mr. Wang Yu as CEO on 20 June 2018 and 16 August 2018 respectively. The Company will make further announcement as and when required pursuant to the GEM Listing Rules.

## **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 systems of the Group. During the First Quarter, the AC comprises of three members, Mr. Leung Chung Nam, Mr. Tse Yuen Ming and Ms. Liu Jianyi, all being independent non-executive Directors. The AC is chaired by Mr. Leung Chung Nam. Thereafter, on 8 November 2018 Mr. Leung Chung Nam has resigned as chairman of audit committee. Upon the resignation, the remaining two Directors jointly take care of the AC. As at the date of this report, the AC comprises of two members, Mr. Tse Yuen Ming and Ms. Liu Jianyi. The First 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 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. During the First Quarter, the RC comprised three members, namely Mr. Lau King Hang, being an executive Director, Mr. Leung Chung Nam and Ms. Liu Jianyi, both being independent non-executive Directors. The RC is chaired by Ms. Liu Jianyi. Thereafter, on 8 November 2018 Mr. Leung Chung Nam has resigned as member. As at the date of this Report, the RC comprises of two members, namely Mr. Lau King Hang and 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 Directors 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. During the First Quarter, the NC comprised of five members, namely Mr. Lau King Hang and Dr. Chan Yiu Wing, being executive Directors, Mr. Leung Chung Nam, Mr. Tse Yuen Ming and Ms. Liu Jianyi, all being independent non-executive Directors. Thereafter, on 8 November Mr. Leung Chung Nam resigned as member. As at the date of this Report, the NC comprises of four members, namely Mr. Lau King Hang, Dr. Chan Yiu Wing, Mr. Tse Yuen Ming and Ms. Liu Jianyi. 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.

## **INTERNAL CONTROL**

The Board is committed to implement an effective and sound internal control system to safeguard the interest of the shareholders of the Company 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 quarter ended 30 September 2018, Elite Partners performed review and comment on the written policies, procedures and the internal control systems regarding sales and receipt, risk management, anti-money laundering and counter-terrorist financing.

## 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

**Wang Yu**

*Executive Director*

Hong Kong, 14 November 2018

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

*Executive Directors:*

Mr. Pu Haiyong

Mr. Wang Yu

Mr. Lau King Hang

Dr. Chan Yiu Wing

Mr. Zhang Baocai

*Independent Non-Executive Directors:*

Mr. Tse Yuen Ming

Ms. Liu Jianyi