



ITE (HOLDINGS) LIMITED

FIRST QUARTERLY REPORT 2011-2012 第一季度報告

Stock Code 股份代號 : 8092



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

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HIGHLIGHTS

Turnover of the Group for the three months ended 30 June 2011 was approximately HK\$6,172,000 representing an increase of approximately 52% over the turnover of approximately HK\$4,063,000 for the same period in 2010.

Loss attributable to owners of the Company for the three months ended 30 June 2011 amounted to approximately HK\$387,000 compared to HK\$1,881,000 for the same period in 2010.

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2011 (three months ended 30 June 2010: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I hereby present the unaudited quarterly consolidated results of ITE and its subsidiaries (together, the "Group") for the three months ended 30 June 2011 (the "Period").

Mission

The mission of the Group is to become the leading smartcard, radio frequency identification ("RFID"), biometrics product, solution and services in the world. ITE has been pioneering and has achieved outstanding performance in the areas of smartcard system solutions and integration services in the Hong Kong Special Administrative Region ("Hong Kong" or "HKSAR"), the Macao Special Administrative Region ("Macao") and the People's Republic of China ("PRC"). With profound expertise, strong research and development ("R&D") capability, proven track record and excellent reputation, the Group has established a leading profile in our own industry and has adopted a proactive approach to introduce innovative and customised smartcard, RFID and biometrics applications to our clients. Leveraging on our extensive industry experience and intellectual assets, ITE will continue to develop innovative products and multi-applications solutions for clients coming from different industries and to expand our businesses to more overseas countries.

Appreciation

I would like to take this opportunity to express my deepest thanks to my directors, management and staff for their dedication and hard work, and shareholders, financiers and business partners for their continued support.

By order of the Board
ITE (Holdings) Limited
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 8 August 2011

BUSINESS REVIEW

The Management of the Group has continued to utilize our professional and committed workforce and financial resources to achieve maximum return to our shareholders.

During the Period, our solution and professional services arm, ITE Smartcard Solutions Limited, was awarded with an extended services contract for the production and personalization of student smartcards for the Hong Kong Institute of Vocational Education, Youth College, Hong Kong Design Institute, School for Higher and Professional Education of Vocational Training Council. A contract for the supply, installation and maintenance of Octopus card and cash payment fare collection system for a new swimming pool managed by the Leisure and Cultural Services Department was also awarded. A number of projects were completed and delivered to clients including a procurement management system of a law enforcement authority in Macao and a computer-vision and smartcard based lobby entrance system of a university hostel.

We also welcome twelve new interns joining us this year. They come from The Hong Kong Polytechnic University and The Chinese University of Hong Kong with different engineering disciplines ranging from Computing, Electronic, Industrial, Information, Mechanical and System Engineering. ITE has been supporting Work Study Program and Industrial-based Training Program for University Undergraduates since 2006. We assist them to gain solid experience and knowledge in their respective fields through undertaking actual work responsibility. Up to this summer, more than forty interns have completed their on-the-job training

QUARTERLY RESULTS

Unaudited Consolidated Statement of Comprehensive Income

		Three Months Ended	
		30 June	
	Note	2011	2010
		HK\$'000	HK\$'000
Turnover	3	6,172	4,063
Cost of services rendered		(4,260)	(3,138)
Cost of sales		(78)	(204)
Gross profit		1,834	721
Other income		6	1
Administrative expenses		(2,205)	(2,571)
Loss from operations		(365)	(1,849)
Finance costs		(22)	(32)
Loss before taxation		(387)	(1,881)
Income tax	4	-	-
Loss attributable to			
owners of the company		(387)	(1,881)
Other comprehensive expense		-	-
Total comprehensive expense		(387)	(1,881)
Loss per share	6		
Basic (HK cents)		(0.04)	(0.21)
Diluted (HK cents)		N/A	(0.20)

Unaudited Consolidated Statement of Changes in Equity

	Reserves					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1 April 2010	9,033	22,570	10,749	432	(31,006)	11,778
Total comprehensive expense for the period	-	-	-	-	(1,881)	(1,881)
Shares issued under share option scheme	48	405	-	-	-	453
Balance at 30 June 2010	9,081	22,975	10,749	432	(32,887)	10,350
Balance at 1 April 2011	9,357	25,322	10,749	392	(34,437)	11,383
Total comprehensive expense for the Period	-	-	-	-	(387)	(387)
Balance at 30 June 2011	9,357	25,322	10,749	392	(34,824)	10,996

Notes:

1. Basis of preparation

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

2. Adoption of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. Turnover

	2011 HK\$'000	2010 HK\$'000
Provision of smartcard systems, radio frequency identification and information technology services		
- Service revenue	3,154	633
- Income from maintenance services	2,061	2,246
- Sales of service related products	149	329
	<u>5,364</u>	<u>3,208</u>
Consultancy income	808	855
	<u><u>6,172</u></u>	<u><u>4,063</u></u>

4. Income tax

The provision for Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the Period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

No provision for income tax in the PRC and Macao have been made as the Group does not have any assessable profits for taxation purpose in the PRC and Macao during the Period (2010: HK\$Nil).

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2011 (three months ended 30 June 2010: \$Nil).

6. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$387,000 (three months ended 30 June 2010: HK\$1,881,000) and the weighted average of 935,728,000 (three months ended 30 June 2010: 907,223,693) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in existence for the Period.

The calculation of diluted loss per share for the three months ended 30 June 2010 was based on the loss attributable to owners of the Company of approximately HK\$1,881,000 and the weighted average of 937,624,597 ordinary shares, calculated as follows:

	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share at 30 June	907,223,693
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	30,400,904
Weighted average number of ordinary shares for the purpose of diluted earnings per share at 30 June	<u>937,624,597</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of each Director and chief executive of the Company 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 (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in shares of the Company

<u>Name of Director</u>	Number of ordinary shares				<u>Total</u>	Percentage of issued shares
	<u>Personal interests</u>	<u>Corporate interests</u>	<u>Family interests</u>	<u>Other interests</u>		
Mr. Lau Hon Kwong, Vincent	6,108,000 (L)	271,102,348 (L) (Note 2)	-	-	277,210,348 (L)	29.63%
Mr. George Roger Manho	63,142,254 (L)	-	-	-	63,142,254 (L)	6.75%
Mr. Cheng Kwok Hung	133,628,000 (L)	-	-	-	133,628,000 (L)	14.28%
Mr. Lee Peng Fei Allen	1,760,000 (L)	-	-	-	1,760,000 (L)	0.19%

Notes:

1. The Letter "L" denotes a long position in the shares.
2. These shares are beneficially owned by Rax-Comm (BVI) Limited ("Rax-Comm"), a company incorporated in the British Virgin Islands. Mr. Lau Hon Kwong, Vincent held 67.94% of the entire issued share capital of Rax-Comm.

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executive of the Company or their associates had any interests in the shares or debentures of, or short positions in the shares of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures", as at 30 June 2011, neither the Company, holding company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2011, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and so far as is known to any Director or chief executive of the Company:

Name of shareholder	Number of ordinary <u>shares held</u>	Percentage of total <u>issued shares</u>
Rax-Comm (BVI) Limited (Note 1)	271,102,348	28.97%
Mr. Lau Hon Chuen (Note 2)	56,498,388	6.04%

Notes:

1. These shares have been disclosed as the corporate interests of the relevant Directors in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures".
2. Mr. Lau Hoi Chuen is the elder brother of Mr. Lau Hon Kwong, Vincent.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company, its holding company or any of its subsidiaries was a party, in which a Director of the Company had a material interest, subsisted at the end of the Period or at any time during the Period.

SHARE OPTION SCHEMES

The Company adopted a 2002 share option scheme (the “2002 Scheme”) on 8 August 2002. In addition, the Company adopted a 2011 share option scheme (the “2011 Scheme”) on 8 August 2011, and the 2002 Scheme was simultaneously terminated. Upon termination of the 2002 Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the 2002 Scheme shall remain in force. The outstanding options granted under the 2002 Scheme shall continue to be subject to the provisions of the 2002 Scheme and the provisions of Chapter 23 of the GEM Listing Rules and the adoption of the 2011 Scheme will not in any event affect the terms in respect of such outstanding options.

(a) 2002 Scheme

As mentioned above, the 2002 Scheme was terminated on 8 August 2011 and no further options may be offered thereunder. Details of the outstanding share options of the scheme during the Period are as follows:

Name or category of participant	Number of share options					Date granted	Period during which options exercisable	Price per share to be paid on exercise of options	Market value per share at date of grant of options
	Outstanding at 1 April 2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 30 June 2011				
Employees	3,500,000	-	-	-	3,500,000	9 August 2002	9 August 2003 to 8 August 2012	HK\$0.175	HK\$0.175
An Employee	6,400,000	-	-	-	6,400,000	9 August 2002	9 February 2003 to 8 August 2012	HK\$0.175	HK\$0.175
	<u>9,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,900,000</u>				

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(b) 2011 Scheme

The Company operates the 2011 Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2011 Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, advisers and consultants, etc. The 2011 Scheme became effective on 8 August 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue. The maximum number of shares issuable under share options to each eligible participant in the 2011 Scheme and any other share option schemes of the Company within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share option granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the 2011 Scheme, if earlier.

The exercise price of the share option is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the date of the offer of the share options; and (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

As at the date of this announcement, no options has been granted under the 2011 Scheme.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

COMPETING INTERESTS

As at 30 June 2011, the Directors were not aware of any business or interest of each Director, managing shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such persons have or may have with the Group.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee which comprises three independent non-executive directors, Dr. Lee Peng Fei, Allen, Mr. Tang Siu, Henry and Mr. Kam Hau Choi, Anthony. Dr. Lee Peng Fei, Allen was appointed the chairman of the audit committee.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly report and quarterly reports and to provide advices and comments thereon to the Board. The Group's quarterly report for the three months ended 30 June 2011 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Period. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the period ended 30 June 2011.

By order of the Board
ITE (Holdings) Limited
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 8 August 2011

The Board as of the date of this report comprises Mr. Lau Hon Kwong, Vincent, Mr. George Roger Manho, Mr. Cheng Kwok Hung and Mr. Liu Hoi Wah as executive directors, Dr. Lee Peng Fei, Allen, Mr. Tang Siu, Henry and Mr. Kam Hau Choi, Anthony as independent non-executive directors.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at www.hkite.com.

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