

ITE (Holdings) Limited
Stock Code 股份代號: 8092



2nd Quarterly Report
第二季度業績報告 2020/21

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 ITE (Holdings) Limited (the “company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the 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 six months ended 30 September 2020 was approximately HK\$23,510,000 representing an increase of approximately 7% over the turnover of approximately HK\$21,938,000 for the same period in 2019.

Profit attributable to owners of the company for the six months ended 30 September 2020 amounted to approximately HK\$3,647,000 compared to that of approximately HK\$342,000 for the same period in 2019.

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “board”) of directors (the “directors”), I hereby present the unaudited consolidated interim results of ITE (Holdings) Limited (the “company”) and its subsidiaries (together, “ITE” or the “group”) for the six months ended 30 September 2020 (the “period”).

Mission

The mission of the group is to become the leading provider of smartcard, radio frequency identification (“RFID”), biometrics product and solution and professional 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 industry and has adopted a proactive approach to introduce innovative and customized 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, 6 November 2020

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, we are very pleased to welcome eleven tertiary graduates. These young talents are graduates of the City University of Hong Kong, the Hong Kong Baptist University, the Hong Kong Polytechnic University, the University of Hong Kong and Caritas Francis Hsu College, from various disciplines including Mechanical Engineering, Electronic Engineering, Electronic and Communication Engineering, Energy Science and Engineering, Materials Engineering, Applied Science and Textiles, Computer Science and Business Administration.

As a committed member of the information and communication technology industry, we have supported four new employment schemes introduced by the Hong Kong Government, namely the Green Employment Scheme: Graduates Subsidy Programme implemented by the Environmental Protection Department, Research Talent Hub for Technology Companies Conducting R&D Activities in Hong Kong and Researcher Programme for Technology Companies Conducting R&D Activities in Hong Kong launched by Innovation and Technology Commission (“ITC”), and the FinTech Anti-epidemic Scheme for Talent Development offered by the Financial Services and the Treasury Bureau, which support grooming talents in areas related to environmental protection, ecological conservation, green energy, sustainable development, natural or applied science, financial technology, and so forth.

With the support of public subsidies under the aforementioned schemes, ITE provides full-time employment opportunities to these young talents. ITE will guide them to build solid skills, experience and knowledge through actual work and continue to nurture them for meeting needs on various environmental and technological fronts.

We are also pleased to announce that ITE Engineering Limited’s proposal “An Integrated Solution for the Detection/Diagnosis/Surveillance of Hygiene Conditions and Deep Cleansing of Public Toilets and Facilities” has been awarded a grant in principle under the "Public Sector Trial Scheme - Special Call for Projects for the Prevention and Control of Coronavirus Disease 2019 in Hong Kong" (“PSTS-COVID-19”) launched by ITC.

This special PSTS-COVID-19 was introduced in March 2020 to support application of technologies in combating the epidemic in Hong Kong. The scheme covers production of prototypes/samples and/or conducting of trials in the local public sector of R&D outcomes which are ready immediately for trial to help Hong Kong combat the COVID-19 epidemic.

Our proposed solution is going to adopt and integrate sophisticated information and communication technologies, sensors and wireless technologies, informatics software development and big data analytics, together with our R&D outcome product, mobilized high-capacity lithium battery system, which will provide zero local emission clean power for steam cleansing, advanced Ultraviolet C disinfection and dry-ice blasting for public facilities so as to reduce the risk of infection and spread of both viral and bacterial diseases and enhance public hygiene and health. The project will last for 12 months, commencing in late October 2020.

In spite of the difficulty and uncertainty we are facing, we remain committed to innovating and providing solutions to serve Hong Kong.

Financial Performance

For the period, the group had recorded a total revenue of approximately HK\$24 million, representing an increase of 7% over the same period of 2019. Profit attributable to owners of the company for the six months ended 30 September 2020 was approximately HK\$3.6 million as compared to that of approximately HK\$0.3 million for the corresponding period of 2019.

Segmental information

For the six months ended 30 September 2020, the group had recorded an increase in turnover of about 7% when compared with the same period of last year. The group's gross profit margin had increased from 26% in corresponding period in last year to 35% in the current period.

During the period, the service revenue generated from the provision of smartcard systems, RFID and information technology ("IT") services had increased of 11% to approximately HK\$18,687,000 (six months ended 30 September 2019: approximately HK\$16,886,000). On the other hand, the maintenance income had decreased by 6% to approximately HK\$4,553,000 (six months ended 30 September 2019: HK\$4,849,000).

The group's administrative expenses had increased by approximately 7% when compared with the same period of last year. The main reason of such increase was due to increase in supporting staff cost during the period.

During the period, the group's finance cost was approximately HK\$255,000 (six months ended 30 September 2019: HK\$532,000) which related to interest on loans from related parties and finance charges on assets acquired under finance leases.

Liquidity and financial resources

The group generally financed its operations with its internally generated cash flows and loans from related parties. At 30 September 2020, the group has loans from related parties amounted to HK\$3,550,000 and these loans bear interest at fixed rate of 5% per annum, are unsecured and repayable within one year from the date of drawdown. At 30 September 2020, the current ratio of the group was 1.90 (31 March 2020: 1.59) while the liquidity ratio was 1.77 (31 March 2020: 1.49).

The group continues to adopt a conservative approach in its treasury policy. The group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial condition of its customers. Besides, the group's liquidity and financing arrangements are also reviewed regularly.

Taking into consideration the stringent cost control and the existing financial resources available to the group, it is believed that the group should have adequate financial resources to meet its operation, development and investment requirements in the future.

Gearing Ratio

At 30 September 2020, the gearing ratio of the group, which is calculated as the ratio of total borrowings to total equity, was 0.21 (31 March 2020: 0.68).

Treasury Policy

The group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the board closely monitors the group's liquidity position to ensure that the liquidity structure of the group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant investments

The group had no significant investments during the period.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the period, the group had no acquisitions and disposals of subsidiaries and affiliated companies.

Employment information

The group recognises that its staff is one of the group's most important assets. Aiming at providing competitive salary packages, the group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the group's business performance.

The group enjoys good relations with its staff and has not experienced any disruption of operations due to major labour disputes. In addition to the remuneration as mentioned above, the group also provides fringe benefits which comply with the relevant laws and regulations of Hong Kong including contributions to the Mandatory Provident Fund Scheme. Besides, the group also provides on-going training programmes for its employees to keep them abreast of the latest market trends and new technologies.

As at 30 September 2020, the group had employed 92 (30 September 2019: 105) full-time employees and were all based in Hong Kong. Staff costs, including directors' emoluments, were approximately HK\$13.5 million (six months ended 30 September 2019: HK\$13.5 million) for the six months ended 30 September 2020.

Charges on group assets

At 30 September 2020, approximately HK\$11,553,000 time deposit (31 March 2020: HK\$11,518,000) was pledged to a bank to secure certain banking facilities of a wholly-owned subsidiary of the company.

Future plans for material investments

The group did not have any plans for material investment and acquisition of material capital assets as at 30 September 2020.

Exposure to fluctuations in exchange rates and related hedges

The group's assets, liabilities, revenues and expenses are mainly denominated in HK\$, United States dollars ("US\$"), Macao Patacas ("MOP") and Renminbi ("RMB"). The exchange rates between HK\$, US\$, MOP and RMB have been very steady for the past few years. During the period, the group generally used the receipts from customers to pay its suppliers and meet its capital requirements. They are denominated in the local currency of the place in which the subsidiaries operate. The group does not currently engage in hedging to manage possible exchange rate risk as the group considers the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the possible exposure to exchange rate risk and will take such measures as it deems prudent.

Contingent liabilities

At 30 September 2020, the company did not have any significant contingent liabilities.

INTERIM RESULTS

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Three Months Ended		Six Months Ended	
		30 September		30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	11,651	11,432	23,510	21,938
Cost of services rendered		(7,909)	(8,160)	(15,146)	(16,069)
Cost of sales		(33)	(44)	(83)	(73)
Gross profit		3,709	3,228	8,281	5,796
Other revenue and other gains, net		207	13	1,286	362
Administrative expenses		(2,307)	(2,994)	(5,665)	(5,284)
Finance costs		(103)	(232)	(255)	(532)
Profit before taxation	4	1,506	15	3,647	342
Income tax	5	-	-	-	-
Profit and total comprehensive income					
attributable to owners of the company		1,506	15	3,647	342
Earning per share	7				
Basic and diluted (HK cents)		0.16	0.00	0.39	0.04

Consolidated Statement of Financial Position

	Note	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		5,071	3,826
Interest in an associate		-	-
Goodwill		-	-
		5,071	3,826
Current assets			
Inventories		2,103	1,790
Trade and other receivables	8	11,185	10,466
Amount due from an associate		750	400
Income tax recoverable		-	49
Pledged bank deposits		11,553	11,518
Cash and cash equivalents		4,438	4,593
		30,029	28,816
Current liabilities			
Trade and other payables	9	9,575	7,373
Lease liabilities		1,829	1,483
Loans from related parties	10	3,550	8,800
Provisions		837	429
		15,791	18,085
Net current assets		14,238	10,731
Total assets less current liabilities		19,309	14,557
Non-current liabilities			
Lease liabilities		2,715	1,610
Net assets		16,594	12,947
Capital and reserves			
Share capital		9,255	9,255
Reserves		7,339	3,692
Total equity		16,594	12,947

Unaudited Condensed Consolidated Cash Flow Statement

	Six Months Ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Net cash generated from operating activities	6,681	2,941
Net cash generated from investing activities	4	63
Net cash used in financing activities	(6,840)	(4,286)
Net decrease in cash and cash equivalents	(155)	(1,282)
Cash and cash equivalent at 1 April	4,593	4,574
Cash and cash equivalent at 30 September	4,438	3,292

Unaudited Consolidated Statement of Changes in Equity

	Attributable to owners of the company						
	Share capital	Share premium	Merger reserve	Exchange reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	9,255	20,240	10,749	370	2,584	(31,274)	11,924
Impact on initial application of HKFRS 16	-	-	-	-	-	(96)	(96)
Restated balance at 1 April 2019	9,255	20,240	10,749	370	2,584	(31,370)	11,828
Changes in equity for the period:							
Profit and total comprehensive income for the period	-	-	-	-	-	342	342
Lapsed of share options	-	-	-	-	(194)	194	-
At 30 September 2019	9,255	20,240	10,749	370	2,390	(30,834)	12,170
At 1 April 2020	9,255	20,240	10,749	370	2,390	(30,057)	12,947
Changes in equity for the period:							
Profit and total comprehensive income for the period	-	-	-	-	-	3,647	3,647
At 30 September 2020	9,255	20,240	10,749	370	2,390	(26,410)	16,594

Notes:

1. Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The measurement basis used in the preparation of the financial statements is the historical cost.

The principal accounting policies used in the preparation of the unaudited interim consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the group for the year ended 31 March 2020.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (“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. The adoption of these new and revised HKFRSs has no material financial effect on the consolidated financial statements in the current or prior accounting periods. The group has not applied any new or revised HKFRSs that is not yet effective for the current accounting period.

3. Revenue and segment information

Six Months Ended 30 September

2020 2019
HK\$'000 HK\$'000

Provision of smartcard systems,
radio frequency identification and
information technology services

- Service revenue	18,687	16,886
- Income from maintenance services	4,553	4,849
- Sales of service related products	270	203
	23,510	21,938

(a) Operating segment information

The group conducts its business within one business segment, smartcard systems, RFID, IT services and related services. All of the group’s products and services are of a similar nature and subject to similar risk and returns. Accordingly, the group’s operating activities are attributable to a single operating segment.

(b) Geographical information

The group’s operations are principally located in Hong Kong and Macao.

The group’s revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	23,214	21,061	5,071	5,389
Macao	296	877	-	62
	23,510	21,938	5,071	5,451

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Three Months Ended		Six Months Ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Finance costs				
Interests on loans from related parties	50	224	152	448
Finance charges on lease liabilities	53	8	103	84
	103	232	255	532
(b) Staff costs (including directors' remuneration):				
Salaries, wages and other benefits	6,210	6,773	13,088	13,018
Retirement scheme contributions	214	224	433	459
	6,424	6,997	13,521	13,477
(c) Other items:				
Auditor's remuneration	101	101	202	202
Cost of inventories sold	2,158	1,103	2,855	2,997
Depreciation				
- owned property, plant and equipment	244	249	493	498
- right-of-use assets	224	281	449	563
Development costs	93	123	211	172
Exchange loss, net	-	1	-	1
Provisions	206	43	524	102
Expense relating to short-term leases and leases of low-value assets	12	12	24	24
Reversal of unused provisions	(49)	(162)	(115)	(408)
Write-off of inventories	-	-	9	-

5. Income tax

The group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries within the group are domiciled and operated.

No provision for Hong Kong Profits Tax has been made as companies in the group incurred losses for tax purpose or has sufficient tax losses brought forward to set off assessable profits (2019: HK\$Nil).

No provision for income tax of Macao has been made as the group did not have any assessable profits for taxation purpose in Macao during the period (2019: HK\$Nil).

6. Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$nil).

7. Earning per share

The calculation of basic earning per share is based on the profit attributable to owners of the company of approximately HK\$3,647,000 (six months ended 30 September 2019: HK\$342,000) and the weighted average of 925,508,000 (six months ended 30 September 2019: 925,508,000) ordinary shares in issue during the period, calculated as follows:

	2020	2019
Issued ordinary shares and weighted average number of ordinary shares	<u>925,508,000</u>	<u>925,508,000</u>

As the company does not have any potential dilutive ordinary shares during the periods ended 30 September 2020 and 2019, basic and diluted earning per share are the same.

8. Trade and other receivables

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade receivables	6,705	6,995
Contract assets	2,103	1,065
Other receivables	12	8
Deposits and prepayments	2,365	2,398
	<u>11,185</u>	<u>10,466</u>

An ageing analysis of trade receivables as at the end of the reporting period is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Less than 1 month	3,313	3,849
More than 1 month but less than 3 months	3,293	2,949
More than 3 months but less than 1 year	99	197
	<u>6,705</u>	<u>6,995</u>

Trade receivables are generally due within 30 to 45 days (2019: 30 to 45 days) from the date of billing.

9. Trade and other payables

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade payables	1,259	933
Accrued charges and other payables	4,479	4,285
Contract liabilities	3,837	2,155
	9,575	7,373

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Less than 1 month	419	341
More than 1 month but less than 3 months	554	486
More than 3 months but less than 1 year	286	106
	1,259	933

10. Loans from related parties

Loans from related parties, of which HK\$3,550,000 (31 March 2020: HK\$4,800,000) are from directors, are unsecured, interest-bearing at 5% per annum and repayable within one year.

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

As at 30 September 2020, 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 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 Exchange were as follows:

(I) Interests in shares of the company

<u>Name of director</u>	Number of ordinary shares					Percentage of issued shares
	<u>Personal interests</u>	<u>Corporate interests</u>	<u>Family interests</u>	<u>Other interests</u>	<u>Total</u>	
Mr. Lau Hon Kwong, Vincent	7,108,000 (L)	241,102,348 (L) (Note 2)	-	-	248,210,348 (L)	26.82%
Mr. Cheng Kwok Hung	113,988,000 (L)	-	-	-	113,988,000 (L)	12.32%
Dr. Lee Peng Fei Allen *	1,760,000 (L)	-	-	-	1,760,000 (L)	0.19%

Notes:

- The letter "L" denotes a long position in the shares.
- 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 76.39% of the entire issued share capital of Rax-Comm.

(II) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares

As at 30 September 2020, the directors had the following personal interests in options to subscribe for shares of the company granted at HK\$1 under a share option scheme of the company. Each option gives the holder the right to subscribe for one share.

<u>Name of Director</u>	<u>Number of options outstanding at 30 September 2020</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Number of shares acquired on exercise of options during the period</u>	<u>Price per share to be paid on exercise of options</u>
Mr. Lau Hon Kwong, Vincent	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
	900,000 (L)	3 July 2018	3 August 2018 to 7 August 2021	-	HK\$0.075
Mr. Cheng Kwok Hung	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
	900,000 (L)	3 July 2018	3 August 2018 to 7 August 2021	-	HK\$0.075
Mr. Liu Hoi Wah	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
	900,000 (L)	3 July 2018	3 August 2018 to 7 August 2021	-	HK\$0.075
Dr. Lee Peng Fei, Allen *	900,000 (L)	9 July 2015	9 January 2016 to 7 August 2021	-	HK\$0.154
	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
	900,000 (L)	3 July 2018	3 August 2018 to 7 August 2021	-	HK\$0.075
Mr. Kam Hau Choi, Anthony	900,000 (L)	9 July 2015	9 January 2016 to 7 August 2021	-	HK\$0.154
	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
	900,000 (L)	3 July 2018	3 August 2018 to 7 August 2021	-	HK\$0.075
Mr. Wong Wang Fat, Andrew	900,000 (L)	9 July 2015	9 January 2016 to 7 August 2021	-	HK\$0.154
	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
	900,000 (L)	3 July 2018	3 August 2018 to 7 August 2021	-	HK\$0.075

Note: The letter “L” denotes a long position in the shares.

(III) Aggregate interest in the shares and underlying shares of the company

<u>Name of Director</u>	<u>Aggregate number in ordinary shares</u>	<u>Aggregate number in underlying shares</u>	<u>Total</u>	<u>Percentage of total issued shares</u>
Mr. Lau Hon Kwong, Vincent	248,210,348 (L)	1,800,000 (L)	250,010,348 (L)	27.01%
Mr. Cheng Kwok Hung	113,988,000 (L)	1,800,000 (L)	115,788,000 (L)	12.51%
Mr. Liu Hoi Wah	-	1,800,000 (L)	1,800,000 (L)	0.19%
Dr. Lee Peng Fei, Allen *	1,760,000 (L)	2,700,000 (L)	4,460,000 (L)	0.48%
Mr. Kam Hau Choi, Anthony	-	2,700,000 (L)	2,700,000 (L)	0.29%
Mr. Wong Wang Fat, Andrew	-	2,700,000 (L)	2,700,000 (L)	0.29%

Note: The letter “L” denotes a long position in the shares.

* The independent non-executive director, Dr. Lee Peng Fei, Allen passed away on 15 May 2020.

Save as disclosed above, as at 30 September 2020, 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 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 September 2020, 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 September 2020, 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:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Percentage of total issued shares</u>
Rax-Comm (note)	241,102,348	26.05%
Mr. George Roger Manho	48,142,254	5.20%

Note: 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 shares, underlying shares and debentures”.

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 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 scheme 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 scheme 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 options granted to directors, chief executives or substantial shareholders 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 21 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercisable 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 options 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, (ii) the average closing price of the company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

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

On 9 July 2015, the company granted share options to certain eligible participants to subscribe for an aggregate of 10,950,000 ordinary shares of HK\$0.01 each in the share capital of the company, represented approximately 1.18% of all the shares in issue as at the date of the grant.

On 6 December 2016, the company further granted share options to certain eligible participants to subscribe for an aggregate of 14,650,000 ordinary shares of HK\$0.01 each in the share capital of the company, represented approximately 1.58% of all the shares in issue as at the date of the grant.

On 3 July 2018, the company had granted share options to certain eligible participants to subscribe for an aggregate of 13,000,000 ordinary shares of HK\$0.01 each in the share capital of the company, represented approximately 1.40% of all the shares in issue as at the date of the grant.

On 4 July 2018, the company had granted share options to certain eligible participants to subscribe for an aggregate of 5,900,000 ordinary shares of HK\$0.01 each in the share capital of the company, represented approximately 0.64% of all the shares in issue as at the date of the grant.

The following table details the company's share options in issue under the 2011 Scheme during the year

Participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of exercisable and outstanding share options			
				At 1 April 2020	Granted during the period	Lapsed during the period	At 30 September 2020
Independent non-executive directors	9 July 2015	9 January 2016 to 7 August 2021	0.154	2,700,000	-	-	2,700,000
Directors of subsidiaries of the company	9 July 2015	9 January 2016 to 7 August 2021	0.154	3,750,000	-	-	3,750,000
Other employees	9 July 2015	9 January 2016 to 7 August 2021	0.154	3,250,000	-	-	3,250,000
Executive directors	6 December 2016	5 June 2017 to 7 August 2021	0.146	2,700,000	-	-	2,700,000
Independent non-executive directors	6 December 2016	5 June 2017 to 7 August 2021	0.146	2,700,000	-	-	2,700,000
Directors of subsidiaries of the company	6 December 2016	5 June 2017 to 7 August 2021	0.146	3,350,000	-	-	3,350,000
Other employees	6 December 2016	5 June 2017 to 7 August 2021	0.146	3,300,000	-	-	3,300,000
Executive directors	3 July 2018	3 August 2018 to 7 August 2021	0.075	2,700,000	-	-	2,700,000
Independent non-executive directors	3 July 2018	3 August 2018 to 7 August 2021	0.075	2,700,000	-	-	2,700,000
Directors of subsidiaries of the company	3 July 2018	3 August 2018 to 7 August 2021	0.075	4,600,000	-	-	4,600,000
Other employees	3 July 2018	3 August 2018 to 7 August 2021	0.075	2,550,000	-	-	2,550,000
Directors of subsidiaries of the company	4 July 2018	3 August 2018 to 7 August 2021	0.075	2,200,000	-	-	2,200,000
Other employees	4 July 2018	3 August 2018 to 7 August 2021	0.075	2,400,000	-	-	2,400,000
			Total	<u>38,900,000</u>	<u>-</u>	<u>-</u>	<u>38,900,000</u>
Weighted average exercise price (HK\$)				<u>0.12</u>			

During the period, nil (six months ended 30 September 2019: 3,050,000) share options were lapsed due to resignation of relevant employee. No share options were exercised by the eligible participants during the periods ended 30 September 2020 and 2019.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the period, the company repurchased nil shares (six months ended 30 September 2019: nil shares) in the share capital of the company on the Exchange pursuant to the general mandates granted by the shareholders at the annual general meetings of the company held on 8 August 2019 and 7 August 2020.

Save as disclosed above, neither the company nor any of its subsidiaries purchased, sold or redeemed any of the company's shares during the year.

COMPETING INTERESTS

As at 30 September 2020, 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

The company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three independent non-executive directors, Mr. Kam Hau Choi, Anthony (being the chairman of the audit committee), Mr. Wong Wang Fat, Andrew and Mr. Wai Hing Cheung. Following the passing of Dr. Lee Peng Fei, Allen on 15 May 2020, the appointment and resignation of Mr. Yeung Kin-Hing, Chris were made on 1 August 2020 and 4 August 2020 respectively. Further on 1 November 2020, Mr. Wai Hing Cheung was appointed as independent non-executive director to fill the casual vacancy.

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 audit committee meets at least four times a year with management to review the accounting principles and practices adopted by the group and to discuss auditing, financial reporting matters, internal control and also risk management system. The principal terms of reference includes, inter alia, its relationship with the company's external auditor, review of the company's financial information and oversight of the financial reporting system and internal control procedures of the company.

The group's interim results for the six months ended 30 September 2020 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.

CORPORATE GOVERNANCE

The company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the period, save for the deviations discussed below.

Under the code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lau Hon Kwong, Vincent is both the chairman and chief executive officer of the company who is responsible for managing the board and the group’s business. Mr. Lau has been both chairman and chief executive officer of the company since its incorporation. The board considers that, with the present board structure and scope of business of the group, there is no imminent need to separate the roles into two individuals as Mr. Lau is perfectly capable of distinguishing the priority of these roles in which he has been acting. However, the board will continue to review the effectiveness of the group’s corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer is necessary.

Under the code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive directors do not have a specific term of appointment, but are subject to rotation in accordance with the articles of association of the company. As such, the company considers that sufficient measures have been taken to serve the purpose of the code provision A.4.1 of the Code.

The company has not arranged any insurance coverage for the directors’ liabilities in respect of any potential legal actions against the directors. Given the nature of the company’s business, directors believe that the occurring of legal actions against the directors is very slight, and the company still can achieve excellent corporate government through various management and monitoring mechanism so as to reduce such risks, such as periodic review on the effectiveness of internal control system, clear division of duties and providing training for staffs and the management. The board will review, on a regular basis, the necessity to arrange insurance cover for potential legal actions against the directors.

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 ended 30 September 2020. 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 September 2020.

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

Hong Kong, 6 November 2020

The board as of the date of this report comprises Mr. Lau Hon Kwong, Vincent, Mr. Cheng Kwok Hung and Mr. Liu Hoi Wah as executive directors, Mr. Wong Wang Fat Andrew, Mr. Kam Hau Choi, Anthony and Mr. Wai Hing Cheung 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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