



**ITE (HOLDINGS) LIMITED**  
**INTERIM REPORT 2011-2012** 中期報告

Stock Code 股份代號 : 8092

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*The 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 this report.*

*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.*

# Contents

- 1 Highlights
- 2 Chairman's Statement
- 3 Business Review
- 8 Interim Results
- 18 Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures
- 19 Directors' and Chief Executive's Rights to Acquire Shares or Debt Securities
- 19 Interests and Short Positions of Shareholders in the Shares and Underlying Shares
- 19 Directors' Interest in Contracts
- 20 Share Option Schemes
- 22 Purchase, Sale and Redemption of Shares
- 22 Competing Interests
- 22 Audit Committee
- 23 Corporate Governance
- 24 Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

**HIGHLIGHTS**

Turnover of the Group for the six months ended 30 September 2011 was approximately HK\$12,587,000 representing an increase of approximately 22% over the turnover of approximately HK\$10,335,000 for the same period in 2010.

Loss attributable to owners of the Company for the six months ended 30 September 2011 amounted to approximately HK\$1,260,000 compared to that of approximately HK\$2,584,000 for the same period in 2010.

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

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I hereby present the unaudited interim consolidated results of ITE and its subsidiaries (together, the "Group") for the six months ended 30 September 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, 7 November 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 (“ITES”) completed for the third consecutive year the delivery of more than 10,000 pieces of personalized student smartcards for the Institutes and Colleges of the Vocational Training Council. ITES was awarded with a contract to provide an automatic fare collection system for the Ping Shan Tin Shiu Wai Swimming Pool of the Leisure and Cultural Services Department in Hong Kong. ITES shall design, develop and deliver for the client all the hardware, software and related services, including Octopus Card based and cash payment turnstile system, money changing machine, LCD information display and our intelli®AFC Automatic Fare Collection Software.

Another new contract has been awarded to ITES to provide a total solution of RFID enabled library management system to the Institute for Tourism Studies in Macau. ITES shall design, develop and deliver for this client all the hardware, software and related services, including but not limited to the RFID labels for books and multi-media discs, our patent-pending RFID enabled book enrolment station, self-service and staff check-out stations and handheld reader sets. Along with the intelli®LIB Intelligent RFID enabled Library Software package, which supports all functions and requirements of a RFID library environment, ITES shall also provide book enrolment and data conversion services for the client to interface with their existing backend infrastructure.

Our Macau operation arm, ITE (Macau) Limited, was awarded with a contract by the Macau Grand Prix Committee to provide smartcards, printers and access control system for the 58th Macau Grand Prix to be held from 17 to 20 November 2011.

An important patent filing was made by ITE (China) Limited to the International Bureau of Patent Cooperation Treaty on 23 December 2010. The International Bureau has published the International Application under Release No. WO2011/078127 on 30 June 2011. ITE pioneers the concept and application of book enrolment through the invention, research and development of our innovation, "Embedded Computer Vision and RFID Enabled Book Enrolment Mechanism". This innovation makes possible the images capture, recognition, analysis and encoding of important characteristics of a book be instantly done through a single-step process. Through this sophisticated book enrolment process, more applications of RFID enabled library automation can be developed. With this patent-protected innovation, ITE is designing and developing many new hardware and software to further strengthen ITE's product portfolio.

In this summer, we welcome eleven new interns joining ITES and RF Tech Limited. They come from the Hong Kong Polytechnic University and the Chinese University of Hong Kong with different engineering disciplines ranging from computing, electronic, mechanical and system engineering. ITE has been supporting Internship Program for University Undergraduates since 2006. We assist the students to gain solid experience and knowledge in their fields through actual work responsibilities. Up to this summer, more than 40 interns have completed their on-the-job training programs with ITE.

## ***Financial Performance***

For the Period, the Group had recorded total revenue of approximately HK\$13 million, representing an increase of 22% over the same period in 2010. Loss attributable to owners of the Company for the six months ended 30 September 2011 was approximately HK\$1.26 million as compared to that of approximately HK\$2.58 million for the corresponding period in 2010.

## ***Segmental information***

For the six months ended 30 September 2011, the Group had recorded an increase in turnover of about 22% when compared with the same period last year. The Group's gross profit margin had increased from 25% in last year to 28% in the current year.

During the Period, the service revenue generated from the provision of smartcard systems, RFID and information technology ("IT") services had increased sharply by 74% to approximately HK\$6,106,000 (six months ended 30 September 2010: approximately HK\$3,512,000). Under the same segment, the maintenance income had also slightly dropped by 3% to approximately HK\$4,279,000 (six months ended 30 September 2010: HK\$4,390,000).

For consultancy service segment, the turnover decreased slightly by 3% to approximately HK\$1,870,000 (six months ended 30 September 2010: approximately HK\$1,922,000).

With the continual stringent cost control, the Group's administrative expenses had decreased by approximately 14% when compared with the same period last year.

The finance costs had increased by 32% to approximately HK\$58,000 (six months ended 30 September 2010: HK\$44,000) during the Period.

## ***Liquidity, financial resources and treasury policies***

The Group generally financed its operations with its internally generated cash flows and bank borrowings. As at 30 September 2011, the Group had outstanding borrowings of approximately HK\$3,911,000, comprising secured bank loans of approximately HK\$3,500,000 and bank overdrafts of approximately HK\$411,000. There was no seasonality in the Group's bank borrowing requirements, and all monies borrowed bear interest at floating rate. As at 30 September 2011, the current ratio of the Group was 2.29 (31 March 2011: 2.77) while the liquidity ratio was 2.07 (31 March 2011: 2.53).

The Group continues to adopt a conservative approach towards 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 banking facilities granted, 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.

### ***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 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 the PRC and Hong Kong including contributions to society security scheme of the PRC and contribution to the Mandatory Provident Fund Scheme of Hong Kong. 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 2011, the Group had employed 77 (30 September 2010: 80) full-time employees. Among them, 70 are based in Hong Kong and the rest are based in the PRC and Macao. Staff costs, including directors' emoluments, were approximately HK\$8 million (six months ended 30 September 2010: HK\$7 million) for the six months ended 30 September 2011. During the Period, the Company has not granted any share option to any of its Directors and employees.

### ***Charges on Group assets***

As at 30 September 2011, time deposits of approximately HK\$5,829,000 (31 March 2011: HK\$5,816,000) were pledged to banks to secure certain banking facilities of the Group.

### ***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 2011.

### ***Gearing ratio***

At 30 September 2011, the gearing ratio of the Group, which is calculated as the ratio of total secured bank loans due after one year to shareholders' funds, was nil (31 March 2011: nil).

### ***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 year, the Group generally used the receipts from customers and bank loans 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 2011, the Company has issued corporate guarantees to banks in respect of banking facilities granted to certain wholly owned subsidiaries.

## INTERIM RESULTS

### Unaudited Consolidated Statement of Comprehensive Income

	Note	Three Months Ended		Six Months Ended	
		30 September		30 September	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>6,415</b>	6,272	<b>12,587</b>	10,335
Cost of services rendered		<b>(4,669)</b>	(4,261)	<b>(8,929)</b>	(7,399)
Cost of sales		<b>(97)</b>	(111)	<b>(175)</b>	(315)
<b>Gross profit</b>		<b>1,649</b>	1,900	<b>3,483</b>	2,621
Other (loss)/income		<b>(223)</b>	20	<b>(217)</b>	21
Administrative expenses		<b>(2,263)</b>	(2,611)	<b>(4,468)</b>	(5,182)
<b>Loss from operations</b>		<b>(837)</b>	(691)	<b>(1,202)</b>	(2,540)
Finance costs		<b>(36)</b>	(12)	<b>(58)</b>	(44)
<b>Loss before taxation</b>	4	<b>(873)</b>	(703)	<b>(1,260)</b>	(2,584)
Income tax	5	-	-	-	-
<b>Loss attributable to</b>					
<b>owners of the company</b>		<b>(873)</b>	(703)	<b>(1,260)</b>	(2,584)
Other comprehensive expense		-	-	-	-
<b>Total comprehensive expense</b>		<b>(873)</b>	(703)	<b>(1,260)</b>	(2,584)
<b>Loss per share</b>	7				
Basic (HK cents)		<b>(0.09)</b>	(0.08)	<b>(0.13)</b>	(0.28)
Diluted (HK cents)		<b>N/A</b>	(0.08)	<b>N/A</b>	(0.28)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
<b>Non-current assets</b>			
Fixed assets		64	85
<b>Current assets</b>			
Inventories		1,723	1,551
Trade and other receivables	8	7,141	6,894
Financial assets at fair value through profit or loss		930	944
Income tax recoverable		9	9
Pledged bank deposits		5,829	5,816
Cash and bank balances		2,024	2,460
		<b>17,656</b>	<b>17,674</b>
<b>Current liabilities</b>			
Trade and other payables	9	3,373	4,246
Short-term borrowings	10	3,911	1,821
Provisions		427	309
		<b>7,711</b>	<b>6,376</b>
<b>Net current assets</b>		<b>9,945</b>	<b>11,298</b>
<b>Net assets</b>		<b>10,009</b>	<b>11,383</b>
<b>Capital and reserves</b>			
Share capital	11	9,343	9,357
Reserves		666	2,026
<b>Total equity</b>		<b>10,009</b>	<b>11,383</b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months Ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(2,419)	(3,883)
Net cash generated from/(used in) investing activities	17	(72)
Net cash generated from financing activities	1,552	10,748
Net (decrease)/increase in cash and cash equivalent	(850)	6,793
Cash and cash equivalent at 1 April	1,984	(5,220)
Cash and cash equivalent at 30 September	1,134	1,573

## 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	-	-	-	-	(2,584)	(2,584)
Shares issued under share option scheme	48	405	-	-	-	453
Balance at 30 September 2010	9,081	22,975	10,749	432	(33,590)	9,647
Balance at 1 April 2011	9,357	25,322	10,749	392	(34,437)	11,383
Total comprehensive expense for the Period	-	-	-	-	(1,260)	(1,260)
Repurchase of shares	(14)	(100)	-	-	-	(114)
Balance at 30 September 2011	9,343	25,222	10,749	392	(35,697)	10,009

## Notes:

### 1. Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting 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 2011.

### 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 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 and segment information

	<b>Six Months Ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Provision of smartcard systems, radio frequency identification and information technology services		
- Service revenue	<b>6,106</b>	3,512
- Income from maintenance services	<b>4,279</b>	4,390
- Sales of service related products	<b>332</b>	511
	<b>10,717</b>	8,413
Consultancy income	<b>1,870</b>	1,922
	<b>12,587</b>	10,335

The group's operating and reportable segments are (i) smartcard systems, RFID and IT services; and (ii) consultancy services. Information regarding these segments is reported below.

	Smartcard systems, RFID and IT services		Consultancy services		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>TURNOVER</b>						
Revenue from external customers	<b>10,717</b>	8,413	<b>1,870</b>	1,922	<b>12,587</b>	10,335
<b>RESULTS</b>						
Segment loss	<b>(27)</b>	(1,346)	<b>13</b>	(326)	<b>(14)</b>	(1,672)
Unallocated corporate revenue					<b>(218)</b>	21
Unallocated corporate expenses					<b>(970)</b>	(889)
Loss from operations					<b>(1,202)</b>	(2,540)
Finance costs					<b>(58)</b>	(44)
Loss before taxation					<b>(1,260)</b>	(2,584)
Income tax					-	-
Loss for the period					<b>(1,260)</b>	(2,584)
<b>ASSETS</b>						
Segment assets	<b>8,386</b>	7,086	<b>475</b>	487	<b>8,861</b>	7,573
Unallocated assets					<b>8,859</b>	9,335
Total assets					<b>17,720</b>	16,908
<b>LIABILITIES</b>						
Segment liabilities	<b>3,004</b>	3,252	<b>412</b>	435	<b>3,416</b>	3,687
Unallocated liabilities					<b>4,295</b>	3,574
Total liabilities					<b>7,711</b>	7,261
<b>OTHER INFORMATION</b>						
Capital expenditure	<b>12</b>	9	-	-	<b>12</b>	9
Depreciation	<b>32</b>	58	<b>2</b>	3	<b>34</b>	61
Write-down of inventories	-	-	-	-	-	-

For the purpose of monitoring segment performances and allocating resources between segments:

- Segment loss represented profit (loss from)/earned by each segment without allocation of central administration costs, other income, finance costs, exchange difference and income tax expense.
- All assets are allocated to reportable segments other than prepaid central administration costs, income tax recoverable, pledged bank deposits and cash and bank balances.
- All liabilities are allocated to reportable segments other than accrued central administration costs, income tax payable and short-term borrowings.

## Geographical information

The group's operations are principally located in Hong Kong, Macao and the PRC.

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

	Revenue from external customers		Non-current assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong	9,907	7,743	58	107
Macao	2,657	2,554	3	7
PRC	-	38	3	9
Other locations	23	-	-	-
	<b>12,587</b>	10,335	<b>64</b>	123

## 4. Loss before taxation

Loss before taxation is arrived at after charging:

	Three Months Ended 30 September		Six Months Ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
(a) Finance costs:				
Interest on bank loans and overdrafts	36	12	58	44
(b) Staff costs (including directors' remuneration):				
Salaries, wages and other benefits	3,717	3,739	7,241	6,701
Retirement scheme contributions	160	149	300	278
	<b>3,877</b>	3,888	<b>7,541</b>	6,979
(c) Other items:				
Cost of inventories	1,341	1,515	2,177	2,254
Depreciation	9	30	34	61
Development costs	89	198	288	409
Exchange loss	12	6	14	10
Loss on disposal of fixed assets	-	1	-	1
Operating lease charges:				
minimum lease payments				
- hire of properties	432	458	864	932
- hire of office equipment	11	11	22	22

## 5. Income tax

The provision for Hong Kong profits tax for 2011 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 of the PRC and Macao has been made in the financial statements as the Group does not have any assessable profits for taxation purpose in the PRC or Macao during the Period (2010: Nil).

## 6. Dividends

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

## 7. 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\$1,260,000 (six months ended 30 September 2010: approximately HK\$2,584,000) and the weighted average of 935,399,935 (six months ended 30 September 2010: 907,652,175) ordinary shares in issue during the respective periods.

### (b) Diluted loss per share

No diluted earnings per share is presented for the Period as there were no dilutive potential ordinary shares in existence for the six months ended 30 September 2011.

The calculation of diluted earnings per share for the six months ended 30 September 2010 was based on the loss attributable to owners of the company of approximately HK\$2,584,000 and the weighted average number of ordinary shares of 934,927,267 shares, calculated as follows:

	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share at 30 September	907,652,175
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	27,275,092
Weighted average number of ordinary shares for the purpose of diluted earnings per share at 30 September	<u>934,927,267</u>

## 8. Trade and other receivables

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Trade receivables	3,157	2,117
Other receivables	524	463
Gross amount due from customers for service contract work	2,241	2,740
Retention money receivables	349	187
Deposits and prepayments	870	1,387
	<b>7,141</b>	<b>6,894</b>

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

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Current	496	279
Less than 1 month past due	1,786	1,114
1 month to 3 months past due	866	664
More than 3 months but less than 1 year past due	1	52
More than 1 year pas due	8	8
Amounts past due	<b>2,661</b>	<b>1,838</b>
	<b>3,157</b>	<b>2,117</b>

Trade receivables are due within 45 days (2010: 60 days) from the date of billing.

## 9. Trade and Other Payables

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Trade payables	659	590
Accrued charges and other payables	1,761	2,070
Gross amount due to customers for service contract work	408	482
Deferred maintenance income	545	1,104
	<b>3,373</b>	<b>4,246</b>

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 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Less than 1 month	430	236
1 month to 3 months	116	185
More than 3 months but less than 1 year	86	142
More than 1 year	27	27
	<b>659</b>	<b>590</b>

## 10. Short term borrowings

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Secured bank loans	3,500	1,821
Secured bank overdrafts	411	-
	<b>3,911</b>	<b>1,821</b>

## 11. Share capital

	Number of shares	HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000,000
Ordinary share, issued and fully paid:		
At 1 April 2010	903,316,000	9,033,160
Shares issued under share option scheme	4,760,000	47,600
At 30 September 2010	908,076,000	9,080,760
At 1 April 2011	935,728,000	9,357,280
Repurchase of shares	(1,444,000)	(14,440)
At 30 September 2011	934,284,000	9,342,840

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

As at 30 September 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					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	6,108,000 (L)	271,102,348 (L) (Note 2)	-	-	277,210,348 (L)	29.67%
Mr. George Roger Manho	63,142,254 (L)	-	-	-	63,142,254 (L)	6.76%
Mr. Cheng Kwok Hung	133,628,000 (L)	-	-	-	133,628,000 (L)	14.30%
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 September 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 September 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 September 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	29.02%
Lau Hoi Chuen (Note 2)	55,938,388	5.99%

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 Lau Hoi Chuen is the elder brother of 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				Outstanding at 30 September 2011	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					
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

During the Period, the Company repurchased a total of 1,444,000 shares of HK\$0.01 each in the share capital of the Company on the Stock Exchange pursuant to the general mandates granted by the shareholders at the annual general meeting of the Company held on 8 August 2011, details of which were as follows:

Date of repurchase	No. of shares repurchased	Price per share repurchased		Total consideration (before expenses)
		Highest HK\$	Lowest HK\$	HK\$
11 August 2011	688,000	0.078	0.077	53,292
29 August 2011	756,000	0.080	0.076	60,060
	<u>1,444,000</u>			<u>113,352</u>

All shares repurchased would be cancelled subsequently and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per share of the Company.

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

## COMPETING INTERESTS

As at 30 September 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 interim report for the six months ended 30 September 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.

## **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. Under the code provision A.4.2 stipulates that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the present articles of association of the Company, Mr. Lau Hon Kwong Vincent, being chairman and chief executive officer of the Company, is not subject to retirement by rotation. This is not in compliance with the Code requirement that every director must retire by rotation once every three years.

Besides, 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 (that at each annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, the number nearest to but not greater than one-third, shall retire from office) provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. At such, with the exception of the chairman, all Directors are subject to retirement by rotation. The management considered that there is no imminent need to amend the articles of association of the Company.

## 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 September 2011.

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

Hong Kong, 7 November 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](http://www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company at [www.hkite.com](http://www.hkite.com).*