



ITE (HOLDINGS) LIMITED

Stock Code 股份代號: 8092

2nd Quarterly Report
第二季度業績報告 2014/15

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.

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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 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 six months ended 30 September 2014 was approximately HK\$12,468,000 representing an increase of approximately 12% over the turnover of approximately HK\$11,124,000 for the same period in 2013.

Profit attributable to owners of the Company for the six months ended 30 September 2014 amounted to approximately HK\$1,020,000 compared to that of approximately HK\$525,000 for the same period in 2013.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "Board") of Directors (the "Directors"), I hereby present the unaudited interim consolidated results of ITE (Holdings) Limited (the "Company") and its subsidiaries (together, "ITE" or the "Group") for the six months ended 30 September 2014 (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, 10 November 2014

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 were pleased to announce the establishment of a new company, Precision Instrument and Optics Limited (“PIO”). PIO was jointly founded by ITE, Prof. Chen Shih-chi and Prof. Yam Yeung with the mission to create new microscopy and precision instrument technologies for biomedical and scientific applications. PIO shall provide custom-developed high-end laser scanning microscopes with unprecedented speed and precision through the implementation of a suite of patent-pending technologies including (1) multi-layer real-time imaging, (2) omni-directional real-time imaging, as well as (3) Simultaneous Optical Stimulation and Imaging (SOSI) technique, etc.. PIO’s team possesses the knowledge and expertise of designing and building high-end microscope systems and has developed several new imaging techniques to further enhance microscope performance. The new techniques provide new functionalities, that cannot be achieved by the current state-of-the-art commercial microscope systems without significantly increase in the production cost, which present a great business opportunity to develop world-class microscope products. The early development of these technologies was largely sponsored by the Innovation and Technology Commission (“ITC”) Supporting Program Project - ITS/094/13FP “Multi-modality High-speed Microscope System for Volumetric Imaging”. This project was also jointly funded by ITE.

Prof. Chen Shih-chi received his PhD from Massachusetts Institute of Technology (“MIT”). He is an expert in optics and precision engineering with extensive experience in developing advanced microscope systems. While working at Harvard Medical School, he developed the first two-photon endomicroscope. He also co-developed the “multi-foci multi-photon microscope whole organ imaging system”. Prof. Yam Yeung received his ScD Degree in Aeronautics and Astronautics also from MIT. He is an expert in control and optics. His general research interests include dynamics modeling and control, fuzzy approximation, human skill acquisition and automation systems. He has engaged in a number of ITC sponsored projects in advanced optical manufacturing in recent years. He also served for many years as a member of the Judging Panel for the Hong Kong Awards for Industries in the Machinery and Equipment Design category.

The establishment of PIO certainly marks a new milestone of ITE towards Innovation, Technology and Excellence.

Financial Performance

For the Period, the Group had recorded a total revenue of approximately HK\$12 million, representing an increase of 12% over the same period of 2013. Profit attributable to owners of the Company for the six months ended 30 September 2014 was approximately HK\$1 million as compared to that of approximately HK\$0.5 million for the corresponding period of 2013.

Segmental information

For the six months ended 30 September 2014, the Group had recorded an increase in turnover of about 12% when compared with the same period of last year. The Group's gross profit margin maintained at 42% in the current period and corresponding period in last year.

During the Period, the service revenue generated from the provision of smartcard systems, RFID and information technology ("IT") services had increased sharply by 26% to approximately HK\$5,050,000 (six months ended 30 September 2013: approximately HK\$3,996,000). Under the same segment, the maintenance income had also increased by 18% to approximately HK\$5,792,000 (six months ended 30 September 2013: HK\$4,912,000).

For consultancy service segment, the turnover had dropped by 27% to approximately HK\$1,278,000 (six months ended 30 September 2013: approximately HK\$1,748,000) during the Period.

The Group's administrative expenses had increased slightly by approximately 2% when compared with the same period of last year.

With the continual working capital improvement, the finance costs remained nil (six months ended 30 September 2013: nil) during the Period.

Liquidity, financial resources and treasury policies

The Group generally financed its operations with its internally generated cash flows. As at 30 September 2014, the Group did not have any outstanding borrowings. As at 30 September 2014, the current ratio of the Group was 3.30 (31 March 2014: 3.47) while the liquidity ratio was 3.05 (31 March 2014: 3.23).

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.

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 the PRC and Hong Kong including contributions to the Society Security Scheme in the PRC and the Mandatory Provident Fund Scheme in 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 2014, the Group had employed 58 (30 September 2013: 63) full-time employees. Among them, 53 are based in Hong Kong and the rest are based in the PRC and Macao. Staff costs, including directors' emoluments, were approximately HK\$6.5 million (six months ended 30 September 2013: HK\$7.0 million) for the six months ended 30 September 2014. 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 2014, nil time deposits (31 March 2014: HK\$2,019,000) was 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 2014.

Gearing ratio

At 30 September 2014, 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 2014: 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 2014, the Company did not have any significant contingent liabilities.

INTERIM RESULTS

Unaudited Consolidated Statement of Comprehensive Income

	Note	Three Months Ended		Six Months Ended	
		30 September		30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	6,703	6,094	12,468	11,124
Cost of services rendered		(3,983)	(3,372)	(7,059)	(6,190)
Cost of sales		(65)	(166)	(167)	(219)
Gross profit		2,655	2,556	5,242	4,715
Other gains		99	92	180	130
Administrative expenses		(2,170)	(2,337)	(4,402)	(4,320)
Profit from operations		584	311	1,020	525
Finance costs		-	-	-	-
Profit before taxation	4	584	311	1,020	525
Income tax	5	-	-	-	-
Profit attributable to					
owners of the Company		584	311	1,020	525
Other comprehensive income		-	-	-	-
Total comprehensive income		584	311	1,020	525
Earnings per share	7				
Basic and diluted (HK cents)		0.06	0.03	0.11	0.06

Consolidated Statement of Financial Position

	Note	As at 30 September 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
Non-current assets			
Fixed assets		251	291
Current assets			
Inventories		1,181	1,186
Trade and other receivables	8	7,670	5,216
Financial assets at fair value through profit or loss		1,130	1,006
Pledged bank deposits		-	2,019
Cash and bank balances		5,861	7,197
		15,842	16,624
Current liabilities			
Trade and other payables	9	4,439	4,423
Provisions		340	339
Income tax payable		24	24
		4,803	4,786
Net current assets		11,039	11,838
Net assets		11,290	12,129
Capital and reserves			
Share capital	10	9,295	9,295
Reserves		1,995	2,834
Total equity		11,290	12,129

Unaudited Condensed Consolidated Cash Flow Statement

	Six Months Ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Net cash used in used in operating activities	(1,486)	(571)
Net cash (used in)/generated from investing activities	(9)	24
Net cash generated from financing activities	159	139
Net decrease in cash and cash equivalent	(1,336)	(408)
Cash and cash equivalent at 1 April	7,197	4,856
Cash and cash equivalent at 30 September	5,861	4,448

Unaudited Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					Total
	Share capital	Share premium	Merger reserve	Exchange reserve	Accumulated Losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2013	9,306	24,999	10,749	278	(35,218)	10,114
Total comprehensive income						
for the period	-	-	-	-	525	525
Repurchase of shares	(11)	(48)	-	-	-	(59)
Balance at 30 September 2013	9,295	24,951	10,749	278	(34,693)	10,580
Balance at 1 April 2014	9,295	24,951	10,749	282	(33,148)	12,129
Dividend declared and paid	-	(1,859)	-	-	-	(1,859)
Total comprehensive income						
for the Period	-	-	-	-	1,020	1,020
Balance at 30 September 2014	9,295	23,092	10,749	282	(32,128)	11,290

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 2014.

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

	Six Months Ended 30 September	
	2014	2013
	HK\$’000	HK\$’000
Provision of smartcard systems, radio frequency identification and information technology services		
- Service revenue	5,050	3,996
- Income from maintenance services	5,792	4,912
- Sales of service related products	348	468
	11,190	9,376
Consultancy income	1,278	1,748
	12,468	11,124

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
TURNOVER						
Revenue from external customers	11,190	9,376	1,278	1,748	12,468	11,124
RESULTS						
Segment profit	2,483	1,530	102	136	2,585	1,666
Unallocated corporate revenue					180	130
Unallocated corporate expenses					(1,745)	(1,271)
Profit from operations					1,020	525
Finance costs					-	-
Profit before taxation					1,020	525
Income tax					-	-
Profit for the period					1,020	525
ASSETS						
Segment assets	8,757	7,557	277	355	9,034	7,912
Unallocated assets					7,059	7,934
Total assets					16,093	15,846
LIABILITIES						
Segment liabilities	4,367	4,705	157	228	4,524	4,933
Unallocated liabilities					279	333
Total liabilities					4,803	5,266
OTHER INFORMATION						
Capital expenditure	28	21	-	-	28	21
Depreciation	68	65	-	-	68	65
Provisions	199	264	20	11	219	275
Reversal of unused provisions	(210)	(375)	(8)	(16)	(218)	(391)
Write-down of inventories	-	-	-	-	-	-

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

- Segment profit represented profit 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, pledged bank deposits and cash and bank balances.
- All liabilities are allocated to reportable segments other than accrued central administration costs and income tax payable.

Geographical information

The group's operations are principally located in Hong Kong and 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	10,413	9,348	248	329
Macao	2,055	1,776	1	1
PRC	-	-	2	-
Other locations	-	-	-	-
	12,468	11,124	251	330

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Three Months Ended 30 September		Six Months Ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(a) Finance costs:				
Interest on bank loans and overdrafts	-	-	-	-
(b) Staff costs (including directors' remuneration):				
Salaries, wages and other benefits	3,161	3,469	6,260	6,916
Retirement scheme contributions	133	136	260	274
	3,294	3,605	6,520	7,190
(c) Other items:				
Cost of inventories	980	755	1,654	1,368
Depreciation	34	32	68	65
Development costs	153	95	252	208
Exchange loss/(gain)	1	1	1	4
Operating lease charges:				
minimum lease payments				
- hire of properties	314	316	617	629
- hire of office equipment	12	10	24	22

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 members of the Group are domiciled and operated.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the taxation purposes in Hong Kong during the Period (2013: Nil).

No provision for income tax of the PRC and Macao have been made as the Group does not have any assessable profits for taxation purpose in the PRC or Macao during the Period (2013: Nil).

6. Dividends

A final dividend of HK0.2 cent per share amounting to approximately HK\$1,859,000 for the year ended 31 March 2014 had been approved by the shareholders at the annual general meeting and was subsequently paid on 29 August 2014.

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: \$Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$1,020,000 (six months ended 30 September 2013: HK\$525,000) and the weighted average of 929,544,000 (six months ended 30 September 2013: 930,076,590) ordinary shares in issue during the respective periods.

As the Company does not have any potential dilutive ordinary shares during the Period and corresponding period in last year, basic and dilutive earnings per share are the same.

8. Trade and other receivables

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Trade receivables	3,605	2,286
Other receivables	777	619
Gross amount due from customers for service contract work	1,441	793
Retention money receivables	182	420
Deposits and prepayments	1,665	1,098
	7,670	5,216

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

	At	At
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current	1,001	560
Less than 1 month past due	2,110	1,033
1 month to 3 months past due	459	689
More than 3 months but less than 1 year past due	35	4
Amounts past due	2,604	1,726
	3,605	2,286

Trade receivables are due within 45 days (2013: 45 days) from the date of billing.

9. Trade and Other Payables

	At	At
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	442	286
Accrued charges and other payables	1,727	2,290
Gross amount due to customers for service contract work	310	274
Deferred maintenance income	1,960	1,573
	4,439	4,423

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 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Less than 1 month	362	244
1 month to 3 months	27	42
More than 3 months but less than 1 year	53	-
	442	286

10. 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 2013	930,592,000	9,305,920
Repurchase of shares	(1,048,000)	(10,480)
At 30 September 2013, 1 April 2014 and 30 September 2014	929,544,000	9,295,440

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

As at 30 September 2014, 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>Percentage of issued shares</u>
	<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)	241,102,348 (L) (Note 2)	-	-	247,210,348 (L)	26.59%
Mr. George Roger Manho	63,142,254 (L)	-	-	-	63,142,254 (L)	6.79%
Mr. Cheng Kwok Hung	118,628,000 (L)	-	-	-	118,628,000 (L)	12.76%
Dr. 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 76.39% of the entire issued share capital of Rax-Comm.

Save as disclosed above, as at 30 September 2014, 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 2014, 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 2014, 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)	241,102,348	25.94%

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 the 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 SCHEMES

The Company adopted share option scheme (the “2011 Scheme”) on 8 August 2011. 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 report, no options has been granted under the 2011 Scheme.

PURCHASE, SALE AND REDEMPTION OF SHARES

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 2014, 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 (the "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, Dr. Lee Peng Fei, Allen (being the chairman of the Audit Committee), Mr. Kam Hau Choi, Anthony and Mr. Wong Wang Fat, Andrew.

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, internal control and financial reporting matters. 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 report for the six months ended 30 September 2014 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.

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.

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 2014.

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

Hong Kong, 10 November 2014

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. Wong Wang Fat, Andrew 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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