



ITE (HOLDINGS) LIMITED

THIRD QUARTERLY REPORT 2011-2012 第三季度報告

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.

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HIGHLIGHTS

Turnover of the Group for the nine months ended 31 December 2011 was approximately HK\$18,892,000 representing an increase of approximately 6% over the turnover of approximately HK\$17,882,000 for the same period in 2010.

Loss attributable to owners of the Company for the nine months ended 31 December 2011 amounted to approximately HK\$1,377,000 compared to that of approximately HK\$2,647,000 for the same period in 2010.

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2011 (nine months ended 31 December 2010: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I hereby present the unaudited quarterly consolidated results of ITE and its subsidiaries (together, the "Group") for the nine months ended 31 December 2011 (the "Period").

Mission

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

Appreciation

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

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

Hong Kong, 8 February 2012

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”) has successfully completed and delivered the Hybrid RFID-enabled Library Automated System to our client Macao Institute for Tourism Studies (“IFT”). Incorporating both the ISO-15693 and ISO-28560 standards, the system is integrated with EM-EAS technology to form a hybrid solution. The scope of supply and services include RFID labels for books and multimedia discs, book enrolment and conversion services, custom-manufactured and implementation of staff and self-service check-out stations, together with ITES’ latest RFID handheld reader which is an Android-based ultra light weight and high power capacity handheld reader device for books and items management. The system has also been integrated with the Millennium Library System via the Standard Interchange Protocol 2 (“SIP2”) interface. IFT Library contains more than 30,000 collections, including books and multi-media discs. Upon the completion of delivery, all items are RFID-enabled.

In Hong Kong, ITES has also completed the delivery of Octopus Card based Automatic Fare Collection System for the Tin Shui Wai Ping Shan Swimming Pool. The swimming pool has been in use since November 2011. ITES provided a total solution to meet the requirements of Leisure and Cultural Services Department of HKSAR, including Octopus Card and coin accepting turnstile units, automatic money changers, and our intelli®AFC management software. The AMC-10 Automatic Money Changer supplied is a new member of ITES’ self-service product series. The robust and secured automatic money changer supports the changing of Hong Kong Dollar banknotes to coins with different configurable combinations as well as token selling in other applications.

To start with the launch of ITES’ new product solution “Smart Electric Vehicle Fast Charging Station EFS-10”, ITES is pleased to have the opportunity to cooperate with the Honest Motors Limited in Hong Kong. Honest Motors Limited has been Nissan Motor's sole distributor in Hong Kong since 1964, their full electric vehicle “LEAF” was introduced to the Hong Kong market in early 2011. Many government departments and public organizations have made procurement and more than a hundred of vehicles are now in use. Our EFS-10 Smart EV Fast Charging Station fully supports the need of CHAdeMO standard direct-current fast charging of the electric vehicles at the service centre of Nissan in Kowloon Bay.

Financial Performance

For the Period, the Group had recorded total revenue of approximately HK\$19 million, representing an increase of 6% over the same period in 2010. Loss attributable to owners of the Company for the nine months ended 31 December 2011 was approximately HK\$1.38 million as compared to that of approximately HK\$2.65 million for the corresponding period in 2010.

QUARTERLY RESULTS

Unaudited Consolidated Statement of Comprehensive Income

	Note	Three Months Ended		Nine Months Ended	
		31 December		31 December	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	6,305	7,547	18,892	17,882
Cost of services rendered		(4,092)	(4,662)	(13,021)	(12,061)
Cost of sales		(177)	(574)	(352)	(889)
Gross profit		2,036	2,311	5,519	4,932
Other (loss)/income		18	47	(199)	68
Administrative expenses		(2,148)	(2,396)	(6,616)	(7,578)
Loss from operations		(94)	(38)	(1,296)	(2,578)
Finance costs		(23)	(25)	(81)	(69)
Loss before taxation		(117)	(63)	(1,377)	(2,647)
Income tax	4	-	-	-	-
Loss attributable to					
owners of the company		(117)	(63)	(1,377)	(2,647)
Other comprehensive expense		-	-	-	-
Total comprehensive expense		(117)	(63)	(1,377)	(2,647)
Loss per share	6				
Basic (HK cents)		(0.01)	(0.01)	(0.15)	(0.29)
Diluted (HK cents)		N/A	(0.01)	N/A	(0.28)

Unaudited Consolidated Statement of Changes in Equity

	Share capital HK\$'000	Reserves			Accumulat Losses HK\$'000	Total HK\$'000
		Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000		
Balance at 1 April 2010	9,033	22,570	10,749	432	(31,006)	11,778
Total comprehensive expense for the period	-	-	-	-	(2,647)	(2,647)
Shares issued under share option scheme	48	405	-	-	-	453
Balance at 31 December 2010	9,081	22,975	10,749	432	(33,653)	9,584
Balance at 1 April 2011	9,357	25,322	10,749	392	(34,437)	11,383
Total comprehensive expense for the Period	-	-	-	-	(1,377)	(1,377)
Repurchase of shares	(41)	(261)	-	-	-	(302)
Balance at 31 December 2011	9,316	25,061	10,749	392	(35,814)	9,704

Notes:

1. Basis of preparation

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

	Nine Months Ended	
	31 December	
	2011	2010
	HK\$’000	HK\$’000
Provision of smartcard systems, radio frequency identification and information technology services		
- Service revenue	8,743	7,114
- Income from maintenance services	6,423	6,446
- Sales of service related products	626	1,288
	15,792	14,848
Consultancy income	3,100	3,034
	18,892	17,882

4. 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).

5. Dividends

The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2011 (nine months ended 31 December 2010: \$Nil).

6. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$1,377,000 (nine months ended 31 December 2010: approximately HK\$2,647,000) and the weighted average of 934,713,309 (nine months ended 31 December 2010: 907,793,963) 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 nine months ended 31 December 2011.

The calculation of diluted earnings per share for the nine months ended 31 December 2010 was based on the loss attributable to owners of the company of approximately HK\$2,647,000 and the weighted average number of ordinary shares of 931,821,766 shares, calculated as follows:

	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share at 31 December	907,793,963
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>24,027,803</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share at 31 December	<u>931,821,766</u>

7. Share capital

	Number of shares	HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000,000
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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
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At 31 December 2010	908,076,000	9,080,760
<hr/>		
At 1 April 2011	935,728,000	9,357,280
Repurchase of shares	(4,124,000)	(41,240)
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At 31 December 2011	931,604,000	9,316,040
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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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)	29.76%
Mr. George Roger Manho	63,142,254 (L)	-	-	-	63,142,254 (L)	6.78%
Mr. Cheng Kwok Hung	133,628,000 (L)	-	-	-	133,628,000 (L)	14.34%
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 31 December 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 31 December 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 31 December 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	29.10%
Lau Hoi Chuen (Note 2)	55,938,388	6.00%

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 31 December 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 4,124,000 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
17 November 2011	1,452,000	0.070	0.062	99,032
25 November 2011	336,000	0.072	0.072	24,192
8 December 2011	300,000	0.075	0.075	22,500
30 December 2011	592,000	0.068	0.065	39,896
	<u>4,124,000</u>			<u>298,972</u>

All shares repurchased were 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 31 December 2011, the Directors were not aware of any business or interest of each Director, managing shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such persons have or may have with the Group.

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly report and quarterly reports and to provide advices and comments thereon to the Board. The Group's quarterly report for the nine months ended 31 December 2011 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Period. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the period ended 31 December 2011.

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

Hong Kong, 8 February 2012

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

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

香港九龍彌敦道345號
宏利公積金大廈10樓1005-1007室

Units 1005-1007, Level 10,
Manulife Provident Funds Place,
345 Nathan Road, Kowloon, Hong Kong.
Tel: (852) 2770 6682
Fax: (852) 2782 6249

<http://www.hkite.com>

