



**ITE (HOLDINGS) LIMITED**

Stock Code 股份代號: 8092

**3<sup>rd</sup> Quarterly Report**

**第三季度業績報告**

**2013/14**

## **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.*

## **HIGHLIGHTS**

Turnover of the Group for the nine months ended 31 December 2013 was approximately HK\$17,013,000 representing a decrease of approximately 18% over the turnover of approximately HK\$20,700,000 for the same period in 2012.

Profit attributable to owners of the Company for the nine months ended 31 December 2013 amounted to approximately HK\$1,103,000 compared to that of approximately HK\$301,000 for the same period in 2012.

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2013 (nine months ended 31 December 2012: Nil).

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

On behalf of the Board (the "Board") of Directors (the "Directors"), I hereby present the unaudited quarterly consolidated results of ITE (Holdings) Limited (the "Company") and its subsidiaries (together, "ITE" or the "Group") for the nine months ended 31 December 2013 (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, 12 February 2014

## **BUSINESS REVIEW**

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

During the Period, our solution and professional services arm, ITE Smartcard Solutions Limited (“ITES”), has completed the Type Approval of our new access control system for the Octopus Cards Limited. The approved system will support the requirements and needs of the new generation Octopus Cards. ITES has scheduled to upgrade various Octopus Cards access control systems for our clients in 2014. Another new Type Approval for the parking management system has been developed and is expected to be completed in the final quarter. ITES was also awarded a contract by the MTR Corporation Limited for the system enhancement works of a property client management system. The supply of the services is expected to be completed within this fiscal year. Another subsidiary, Quesco Systems Limited, was awarded a contract by the Construction Industry Council for the supply and delivery of hardware, software and related professional services for the Construction Workers Registration Management System to be installed in the Nam Cheong Station. The opening of the new registration site was scheduled in early 2014. Apart from the above, we also have received new orders from clients coming from the hospital and campus sectors for the expansion of their existing smartcard platforms.

With improving efficiency, new product development and professional services enhancement, the Directors are optimistic that the profitability will be maintained throughout the year.

### **Financial Performance**

For the Period, the Group had recorded a total revenue of approximately HK\$17 million, representing a decrease of 18% over the same period of 2012. Profit attributable to owners of the Company for the nine months ended 31 December 2013 was approximately HK\$1.1 million as compared to that of approximately HK\$0.3 million for the corresponding period of 2012.

## QUARTERLY RESULTS

### Unaudited Consolidated Statement of Comprehensive Income

	Note	Three Months Ended		Nine Months Ended	
		31 December		31 December	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>5,889</b>	7,992	<b>17,013</b>	20,700
Cost of services rendered		<b>(3,380)</b>	(4,610)	<b>(9,570)</b>	(12,973)
Cost of sales		<b>(44)</b>	(80)	<b>(263)</b>	(253)
<b>Gross profit</b>		<b>2,465</b>	3,302	<b>7,180</b>	7,474
Other gains and losses		<b>92</b>	78	<b>222</b>	89
Administrative expenses		<b>(1,979)</b>	(2,686)	<b>(6,299)</b>	(7,230)
<b>Profit from operations</b>		<b>578</b>	694	<b>1,103</b>	333
Finance costs		-	(8)	-	(32)
<b>Profit before taxation</b>		<b>578</b>	686	<b>1,103</b>	301
Income tax	4	-	-	-	-
<b>Profit attributable to</b>					
<b>owners of the Company</b>		<b>578</b>	686	<b>1,103</b>	301
Other comprehensive expense		-	-	-	-
<b>Total comprehensive income</b>		<b>578</b>	686	<b>1,103</b>	301
<b>Earnings per share</b>	6				
Basic and diluted (HK cents)		<b>0.06</b>	0.07	<b>0.12</b>	0.03

## 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 2012	9,306	24,999	10,749	286	(36,279)	9,061
Total comprehensive income for the period	-	-	-	-	301	301
Balance at 31 December 2012	9,306	24,999	10,749	286	(35,978)	9,362
Balance at 1 April 2013	9,306	24,999	10,749	278	(35,218)	10,114
Total comprehensive income for the Period	-	-	-	-	1,103	1,103
Repurchase of shares	(11)	(48)	-	-	-	(59)
Balance at 31 December 2013	9,295	24,951	10,749	278	(34,115)	11,158

### Notes:

#### 1. Basis of preparation

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

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2013.

## 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	
	2013	2012
	HK\$’000	HK\$’000
Provision of smartcard systems, radio frequency identification and information technology services		
- Service revenue	6,102	8,362
- Income from maintenance services	7,852	7,030
- Sales of service related products	591	530
	14,545	15,922
Consultancy income	2,468	4,778
	<u>17,013</u>	<u>20,700</u>

## 4. Income tax

The provision for Hong Kong profits tax for 2013 is calculated at 16.5% (2012: 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 (2012: Nil).

## 5. Dividends

The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2013 (nine months ended 31 December 2012: \$Nil).

## 6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$1,103,000 (nine months ended 31 December 2012: HK\$301,000) and the weighted average of 929,898,415 (nine months ended 31 December 2012: 930,592,000) 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.

## 7. 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 2012, 31 December 2012 and 1 April 2013	930,592,000	9,305,920
Repurchase of shares	(1,048,000)	(10,480)
At 31 December 2013	929,544,000	9,295,440

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

As at 31 December 2013, 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)	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	113,628,000 (L)	-	-	-	113,628,000 (L)	12.22%
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 31 December 2013, 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 2013, 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 2013, 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%
Lau Hoi Chuen (Note 2)	55,938,388	6.02%

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. The Company later adopted another 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 2012	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 2012	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>9,900,000</u>	<u>-</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 report, no options has been granted under the 2011 Scheme.

## **PURCHASE, SALE AND REDEMPTION OF SHARES**

During the Period, the Company repurchased a total of 1,048,000 shares of HK\$0.01 each in the share capital of the Company on the Stock Exchange and details of which were as follows:

<b>Date of repurchase</b>	<b>No. of shares repurchased</b>	<b>Price per share repurchased</b>		<b>Total consideration</b>
		<b>Highest</b>	<b>Lowest</b>	<b>(before expenses)</b>
		HK\$	HK\$	HK\$
3 July 2013	1,048,000	0.055	0.055	57,640

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 31 December 2013, 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. Kam Hau Choi, Anthony and Mr. Wong Wang Fat, Andrew. 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 2013 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 2013.

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

Hong Kong, 12 February 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](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).*

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