



ITE (HOLDINGS) LIMITED

Stock Code 股份代號 : 8092

**3<sup>rd</sup>** Quarterly Report  
第三季度業績報告 2017/18

## **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 nine months ended 31 December 2017 was approximately HK\$18,376,000 representing an increase of approximately 25% over the turnover of approximately HK\$14,704,000 for the same period in 2016.

Profit attributable to owners of the company for the nine months ended 31 December 2017 amounted to approximately HK\$1,026,000 compared to that of loss attributable to owners of the company approximately HK\$1,184,000 for the same period in 2016.

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: HK\$nil).

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

On behalf of the board (the "board") of directors (the "directors"), I hereby present the unaudited consolidated quarterly results of ITE (Holdings) Limited (the "company") and its subsidiaries (together, "ITE" or the "group") for the nine months ended 31 December 2017 (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, 8 February 2018

## **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, the Leisure and Cultural Services Department ("LCSD") of HKSAR launched the city's first self-service library station on December 5, 2017, offering users round-the-clock public library services with enhanced convenience and accessibility.

The library station is located at the Island East Sports Centre Sitting-out Area (next to the Hong Kong Film Archive) at 52 Lei King Road, Sai Wan Ho. Using their library card or Hong Kong identity card, registered users of the Hong Kong Public Libraries can borrow and return library materials, pick up reserved library materials and pay library fees and charges with Octopus at the library station on their own by following simple on-screen instructions. About 300 Chinese and English books are available for lending; stock will be replenished every day, during which services will be suspended temporarily. Library users can choose to pick up library materials at this Library Station. The LCSD will launch the second and third library stations at the Hong Kong Cultural Centre in Tsim Sha Tsui and a location near Tai Wai Mass Transit Railway Station in Sha Tin respectively in the second half of 2018. We are very pleased to have the opportunity to implement and deliver the system and related services for the LCSD, and provide this smartcity application to serve the general public.

ITE have been supporting the expansion of electric vehicle ('EV') quick charging infrastructures of both utility companies in Hong Kong. Upon the completion of system integration of three multi-standard EV quick charging stations in the Hong Kong Island, we have received a new order to provide five new Octopus payment stations for additional installation of quick charging stations in the Kowloon side. Again, these stations support IEC Type 2 AC, CCS DC Combo and CHAdeMO multi-standard for all kind of electric vehicles being used in Hong Kong.

ITE have been collaborating with the key universities and institutes in Hong Kong since our incorporation. Donations are also made as encouragement to the universities in the pursuit of greater excellence. In appreciation of our continual support, the City University of Hong Kong Foundation welcomes ITE Smartcard Solutions Limited as the Senior Member of the Foundation. We are very glad to receive the Appreciation.

During the period, we are also very proud to receive the "2017/18 Partner Employer Award" by The Hong Kong General Chamber of Small and Medium Business, the "Partner Employer Award" Recognition Scheme was launched in 2010 to encourage local enterprises to hire and provide internships to local students and graduates so that they can accumulate work experience and develop a positive attitude to enhance their competitiveness in the market.

ITE have been participating in various charity activities including the ORBIS Pin Campaign. Our colleagues wore the Pins on 12 Oct 2017 to embrace ORBIS's mission in support of World Health Organization's World Sight Day. Established in 1982, ORBIS is working to eradicate preventable blindness in impoverished nations worldwide. Long-term eye care programs that increase local surgical skills, facilities and eye health awareness have helped restore sight to over 6.8 million needlessly blind people to date.

### **Financial Performance**

For the period, the group had recorded a total revenue of approximately HK\$18 million, representing an increase of 25% over the same period of 2016. Profit attributable to owners of the company for the nine months ended 31 December 2017 was approximately HK\$1.03 million as compared to that of loss attributable to owners of the company approximately HK\$1.18 million for the corresponding period of 2016.

## QUARTERLY RESULTS

### Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Not	Three Months Ended		Nine Months Ended	
		31 December		31 December	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>5,867</b>	4,853	<b>18,376</b>	14,704
Cost of services rendered		<b>(3,416)</b>	(2,859)	<b>(9,885)</b>	(9,635)
Cost of sales		<b>(53)</b>	(42)	<b>(171)</b>	(124)
<b>Gross profit</b>		<b>2,398</b>	1,952	<b>8,320</b>	4,945
Other gains/(loss)		<b>293</b>	(77)	<b>459</b>	544
Administrative expenses		<b>(2,468)</b>	(2,377)	<b>(7,753)</b>	(6,673)
<b>Profit/(loss) before taxation</b>		<b>223</b>	(502)	<b>1,026</b>	(1,184)
Income tax	4	-	-	-	-
<b>Profit/(loss) attributable to owners of the company</b>		<b>223</b>	(502)	<b>1,026</b>	(1,184)
<b>Other comprehensive income/(expense)</b>					
Item that may be reclassified subsequently to profit or loss:					
- Exchange differences on translating foreign operations, net of nil tax		<b>2</b>	(9)	<b>2</b>	(9)
<b>Total comprehensive income/(expense)</b>		<b>225</b>	(511)	<b>1,028</b>	(1,193)
<b>Earnings/(loss) per share</b>	6				
Basic (HK cents)		<b>0.02</b>	(0.05)	<b>0.11</b>	(0.13)
Diluted (HK cents)		<b>0.02</b>	(0.05)	<b>0.11</b>	(0.13)

## Unaudited Consolidated Statement of Changes in Equity

	Attributable to owners of the company						
	Share capital	Share premium	Merger reserve	Exchang reserve	Share option reserve	Accumulate losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	9,274	20,487	10,749	379	1,029	(29,575)	12,343
<b>Changes in equity for the period:</b>							
Loss for the period	-	-	-	-	-	(1,184)	(1,184)
Exchange differences on translation of foreign operations	-	-	-	(9)	-	-	(9)
Total comprehensive expense for the period	-	-	-	(9)	-	(1,184)	(1,193)
Repurchase of shares	(12)	(167)	-	-	-	-	(179)
Equity-settled share-based payment	-	-	-	-	182	-	182
At 31 December 2016	9,262	20,320	10,749	370	1,211	(30,759)	11,153
At 1 April 2017	9,255	20,240	10,749	370	1,721	(29,192)	13,143
<b>Changes in equity for the period:</b>							
Profit for the period	-	-	-	-	-	1,026	1,026
Exchange differences on translation of foreign operations	-	-	-	2	-	-	2
Total comprehensive income for the period	-	-	-	2	-	1,026	1,028
Equity-settled share-based payment	-	-	-	-	388	-	388
At 31 December 2017	9,255	20,240	10,749	372	2,109	(28,166)	14,559



## 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 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 results are consistent with those adopted in the preparation of the annual consolidated financial statements of the group for the year ended 31 March 2017.

### 2. Adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The HKICPA has issued amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the group and the company. The adoption of these amendments to HKFRSs has no material effect on the consolidated financial statements in the current or prior accounting periods. The group has not applied any new or revised HKFRSs that is not yet effective for the current accounting period.

### 3. Turnover and segment information

	Nine Months Ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Provision of smartcard systems, radio frequency identification and information technology services		
- Service revenue	9,243	5,669
- Income from maintenance services	8,714	8,592
- Sales of service related products	419	291
	18,376	14,552
Consultancy income	-	152
	<u>18,376</u>	<u>14,704</u>

### 4. Income tax

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

No provision for Hong Kong Profits Tax has been made as the group incurred losses for tax purpose or has sufficient tax losses brought forward to set off against current period's assessable profits (2016: HK\$nil).

No provision for income tax in the PRC and Macao have been made as the group did not have any assessable profits for taxation purpose in the PRC or Macao during the period (2016: HK\$nil).

## 5. Dividends

The directors do not recommend the payment of interim dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: HK\$Nil).

## 6. Earnings/(loss) per share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the company of approximately HK\$1,026,000 (nine months ended 31 December 2016: loss of approximately HK\$1,184,000) and the weighted average of 925,508,000 (nine months ended 31 December 2016: 926,945,455) ordinary shares in issue during the period.

### (b) Diluted earnings/(loss) per share

Diluted earnings per share is equal to basic earnings per share as there is no dilutive potential ordinary shares in existence during the period. For the nine months ended 31 December 2016, the calculation of diluted loss per share is based on the loss attributable to owners of the company of approximately HK\$1,184,000 and the weighted average number of ordinary shares of 927,078,906 shares, calculated as follows:

	<b>2016</b>
Weighted average number of ordinary shares (diluted)	
Weighted average number of ordinary shares as at 31 December	926,945,455
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	133,451
Weighted average number of ordinary shares (diluted) as at 31 December	<u>927,078,906</u>

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

As at 31 December 2017, 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:

### (I) 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)	26.71%
Mr. Cheng Kwok Hung	116,628,000 (L)	-	-	-	116,628,000 (L)	12.60%
Dr. Lee Peng Fei Allen	1,760,000 (L)	-	-	-	1,760,000 (L)	0.19%

#### Notes:

- The letter "L" denotes a long position in the shares.
- These shares are beneficially owned by Rax-Comm (BVI) Limited ("Rax-Comm"), a company incorporated in the British Virgin Islands. Mr. Lau Hon Kwong, Vincent held 76.39% of the entire issued share capital of Rax-Comm.

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

As at 31 December 2017, the directors had the following personal interests in options to subscribe for shares of the company granted at HK\$1 under a share option scheme of the company. Each option gives the holder the right to subscribe for one share.

<u>Name of director</u>	<u>Number of options outstanding at 31 December 2017</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Number of shares acquired on exercise of options during the period</u>	<u>Price per share to be paid on exercise of options</u>
Mr. Lau Hon Kwong, Vincent	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
Mr. Cheng Kwok Hung	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
Mr. Liu Hoi Wah	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
Dr. Lee Peng Fei, Allen	900,000 (L)	9 July 2015	9 January 2016 to 7 August 2021	-	HK\$0.154
	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
Mr. Kam Hau Choi, Anthony	900,000 (L)	9 July 2015	9 January 2016 to 7 August 2021	-	HK\$0.154
	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146
Mr. Wong Wang Fat, Andrew	900,000 (L)	9 July 2015	9 January 2016 to 7 August 2021	-	HK\$0.154
	900,000 (L)	6 December 2016	5 June 2017 to 7 August 2021	-	HK\$0.146

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

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

<u>Name of director</u>	<u>Aggregate number in ordinary shares</u>	<u>Aggregate number in underlying shares</u>	<u>Total</u>	<u>Percentage of total issued shares</u>
Mr. Lau Hon Kwong, Vincent	247,210,348 (L)	900,000 (L)	248,110,348 (L)	26.81%
Mr. Cheng Kwok Hung	116,628,000 (L)	900,000 (L)	117,528,000 (L)	12.70%
Mr. Liu Hoi Wah	-	900,000 (L)	900,000 (L)	0.10%
Dr. Lee Peng Fei, Allen	1,760,000 (L)	1,800,000 (L)	3,560,000 (L)	0.38%
Mr. Kam Hau Choi, Anthony	-	1,800,000 (L)	1,800,000 (L)	0.19%
Mr. Wong Wang Fat, Andrew	-	1,800,000 (L)	1,800,000 (L)	0.19%

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

Save as disclosed above, as at 31 December 2017, 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 2017, 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 2017, 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	26.05%
Mr. George Roger Manho (Note 2)	63,142,254	6.82%

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. Mr. George Roger Manho had retired by rotation as executive director of the company at the annual general meeting held on 8 August 2016 in accordance with the memorandum and articles of association of the company.

## **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.

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

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

Participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of exercisable and outstanding share options			At 31 December 2017
				At 1 April 2017	Granted during the period	Lapsed during the period	
Independent non-executive directors	9 July 2015	9 January 2016 to 7 August 2021	0.154	2,700,000	-	-	2,700,000
Directors of subsidiaries of the company	9 July 2015	9 January 2016 to 7 August 2021	0.154	3,750,000	-	-	3,750,000
Other employees	9 July 2015	9 January 2016 to 7 August 2021	0.154	4,500,000	-	-	4,500,000
Executive directors	6 December 2016	5 June 2017 to 7 August 2021	0.146	2,700,000	-	-	2,700,000
Independent non-executive directors	6 December 2016	5 June 2017 to 7 August 2021	0.146	2,700,000	-	-	2,700,000
Directors of subsidiaries of the company	6 December 2016	5 June 2017 to 7 August 2021	0.146	3,350,000	-	-	3,350,000
Other employees	6 December 2016	5 June 2017 to 7 August 2021	0.146	4,750,000	-	-	4,750,000
			Total	<u>24,450,000</u>	<u>-</u>	<u>-</u>	<u>24,450,000</u>
Weighted average exercise price (HK\$)				<u>0.15</u>			

Save as disclosed above, no share options was granted, exercised, cancelled, or lapsed in accordance with the terms of the share option scheme of the company during the period.

## PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's shares during the period.

## COMPETING INTERESTS

As at 31 December 2017, 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, financial reporting matters, internal control and also risk management system. The principal terms of reference includes, inter alia, its relationship with the company’s external auditor, review of the company’s financial information and oversight of the financial reporting system and internal control procedures of the company.

The group’s quarterly report for the nine months ended 31 December 2017 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

## **CORPORATE GOVERNANCE**

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

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

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

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

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



## COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period. 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 2017.

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

Hong Kong, 8 February 2018

*The board as of the date of this report comprises Mr. Lau Hon Kwong, Vincent, Mr. Cheng Kwok Hung and Mr. Liu Hoi Wah as executive directors, Dr. Lee Peng Fei, Allen, Mr. Kam Hau Choi, Anthony and Mr. Wong Wang Fat, Andrew as independent non-executive directors.*

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