



# **ITE (HOLDINGS) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8092)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011**

### **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 announcement, 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 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 (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## FINAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (“ITE” or the “Group”) for the year ended 31 March 2011, together with the comparative audited figures for the previous year.

### Consolidated Statement of Comprehensive Income

	Note	2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>	3, 4	<b>23,418</b>	54,935
Cost of services rendered		(15,971)	(43,038)
Cost of sales		(955)	(875)
<b>Gross profit</b>		<b>6,492</b>	11,022
Other income		109	112
Administrative expenses		(9,934)	(10,490)
<b>(Loss)/profit from operations</b>		<b>(3,333)</b>	644
Finance costs	5(a)	(87)	(397)
<b>(Loss)/profit before taxation</b>	5	<b>(3,420)</b>	247
Income tax	6	(12)	(43)
<b>(Loss)/profit attributable to owners of the Company</b>		<b>(3,432)</b>	204
<b>Other comprehensive expense</b>			
Exchange differences on translating foreign operations		(40)	-
<b>Total comprehensive (expense)/income for the year</b>		<b>(3,472)</b>	204
<b>(Loss)/earnings per share</b>	8		
Basic (HK cents)		(0.38)	0.02
Diluted (HK cents)		(0.38)	0.02

## Consolidated Statement of Financial Position

	Note	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Fixed assets		85	176
<b>Current assets</b>			
Inventories		1,551	1,600
Trade and other receivables	9	6,894	4,930
Financial assets at fair value through profit or loss		944	-
Income tax recoverable		9	73
Pledged bank deposits		5,816	17,624
Cash and bank balances		2,460	1,532
		<b>17,674</b>	<b>25,759</b>
<b>Current liabilities</b>			
Trade and other payables	10	4,246	4,113
Short-term borrowings		1,821	9,753
Provisions		309	291
		<b>6,376</b>	<b>14,157</b>
<b>Net current assets</b>		<b>11,298</b>	<b>11,602</b>
<b>Net assets</b>		<b>11,383</b>	<b>11,778</b>
<b>Capital and reserves</b>			
Share capital		9,357	9,033
Reserves		2,026	2,745
<b>Total equity</b>		<b>11,383</b>	<b>11,778</b>

## Consolidated Statement of Changes in Equity

	Reserves					<u>Total</u> 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 2009	9,056	22,721	10,749	432	(31,209)	11,749
Total comprehensive income						
for the year	-	-	-	-	204	204
Repurchase of shares	(23)	(152)	-	-	-	(175)
Balance at 31 March 2010 and 1 April 2010	9,033	22,569	10,749	432	(31,005)	11,778
Total comprehensive expense						
for the year	-	-	-	(40)	(3,432)	(3,472)
Repurchase of shares	(3)	(24)	-	-	-	(27)
Issue of shares upon exercise						
of share options	327	2,777	-	-	-	3,104
Balance at 31 March 2011	9,357	25,322	10,749	392	(34,437)	11,383

### Notes:

#### 1. Basis of preparation of consolidated financial statements

The consolidated financial statements 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 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 consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except as otherwise stated in the significant accounting policies set out below.

#### 2. Adoption of new and revised 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 consolidated financial statements of the Group.

### 3. Turnover

	2011 HK\$'000	2010 HK\$'000
Provision of smartcard systems, radio frequency identification (“RFID”) and information technology (“IT”) services		
- Service revenue	9,093	9,020
- Income from maintenance services	8,852	9,019
- Sales of service related products	1,444	1,551
	<b>19,389</b>	19,590
Consultancy income	<b>4,029</b>	35,345
	<b>23,418</b>	54,935

### 4. Segment reporting

The Group’s operating and reportable segments under HKFRS 8 are (i) smartcard systems, RFID and IT services; and (ii) consultancy services. Information regarding these segments is reported below.

	Smartcard systems, RFID and IT services		Consultancy services		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>TURNOVER</b>						
Revenue from external customers	<b>19,389</b>	19,590	<b>4,029</b>	35,345	<b>23,418</b>	54,935
<b>RESULTS</b>						
Segment (loss)/profit	<b>(1,601)</b>	(1,356)	<b>(33)</b>	3,668	<b>(1,634)</b>	2,312
Unallocated						
corporate revenue					<b>109</b>	112
Unallocated						
corporate expenses					<b>(1,808)</b>	(1,780)
(Loss)/profit from operations					<b>(3,333)</b>	644
Finance costs					<b>(87)</b>	(397)
(Loss)/profit before taxation					<b>(3,420)</b>	247
Income tax					<b>(12)</b>	(43)
(Loss)/profit for the year					<b>(3,432)</b>	204
<b>ASSETS</b>						
Segment assets	<b>7,480</b>	6,006	<b>856</b>	529	<b>8,336</b>	6,535
Unallocated assets					<b>9,423</b>	19,400
Total assets					<b>17,759</b>	25,935
<b>LIABILITIES</b>						
Segment liabilities	<b>3,609</b>	3,762	<b>413</b>	95	<b>4,022</b>	3,857
Unallocated liabilities					<b>2,354</b>	10,300
Total liabilities					<b>6,376</b>	14,157
<b>OTHER INFORMATION</b>						
Capital expenditure	<b>17</b>	29	-	2	<b>17</b>	31
Depreciation	<b>102</b>	222	<b>5</b>	5	<b>107</b>	227
Loss on disposal of fixed assets	<b>1</b>	-	-	-	<b>1</b>	-
Provisions	<b>404</b>	349	<b>51</b>	168	<b>455</b>	517
Reversal of unused provisions	<b>(383)</b>	(789)	<b>(55)</b>	(1,372)	<b>(438)</b>	(2,161)
Write-off of inventories	<b>166</b>	103	-	-	<b>166</b>	103

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

Segment (loss)/profit represented (loss from)/profit earned by each segment without allocation of certain central administration costs, other income, finance costs, exchange difference and income tax expense.

All assets are allocated to reportable segments other than prepaid central administration costs, income tax recoverable, pledged bank deposits and cash and bank balances.

All liabilities are allocated to reportable segments other than accrued central administration costs and short-term borrowings.

a. Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong	17,062	45,814	75	152
Macao	6,300	8,902	5	10
PRC	56	199	5	14
Other locations	-	20	-	-
	<b>23,418</b>	54,935	<b>85</b>	176

b. Information about major customers

For the year ended 31 March 2011, there was no (2010: one) customer who accounted for over 10% of total revenue of the Group with revenue of HK\$Nil (2010: HK\$29,693,000) related to the consultancy services segment.

## 5. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2011 HK\$'000	2010 HK\$'000
(a) Finance costs:		
Interest on bank loans and overdrafts	87	397
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	14,754	41,386
Retirement scheme contributions	626	1,471
	<b>15,380</b>	<b>42,857</b>
(c) Other items:		
Auditor's remuneration	340	325
Cost of inventories	5,508	5,519
Depreciation	107	227
Development costs	739	957
Exchange loss	5	-
Provisions	455	517
Loss on disposal of fixed assets	1	-
Operating lease charges: minimum lease payments		
- hire of properties	1,808	1,836
- hire of office equipment	43	33
Reversal of unused provisions	(438)	(2,161)
Write-off of inventories	166	103

## 6. Income tax

(a) Income tax in the consolidated statement of comprehensive income represents:

	2011 HK\$'000	2010 HK\$'000
Hong Kong profits tax		
- Provision for the year	12	63
- Over-provision in respect of prior years	-	(20)
	<b>12</b>	<b>43</b>

The provision for Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

No provision for income tax in the PRC and Macao have been made in the consolidated financial statements as the Group did not have any assessable profits for taxation purpose in the PRC and Macao during the year (2010: HK\$Nil).

- (b) At 31 March 2011, the Group has not recognised deferred tax assets in respect of unused tax losses of approximately HK\$42,745,000 (2010: HK\$40,207,000) and deductible temporary differences of approximately HK\$739,000 (2010: HK\$795,000) due to the uncertainty of the related tax benefits being realised through future taxable profits. The unused tax losses of approximately HK\$3,892,000 (2010: HK\$3,844,000) can be carried forward for offset against the taxable profits of subsequent years for five years following the loss year. Other unused tax losses may be carried forward indefinitely.

## 7. Dividend

No interim dividend was paid during the year (2010: HK\$Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: HK\$Nil).

## 8. (Loss)/earnings per share

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

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$3,432,000 (2010: a profit of HK\$204,000) and the weighted average of 912,904,000 (2010: 904,564,592) ordinary shares in issue during the year.

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

No diluted loss per share is presented for the year as the exercise prices of the Company's outstanding share options were equal to the fair value per share for the year ended 31 March 2011.

The calculation of diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$3,432,000 (2010: a profit of HK\$204,000) and the weighted average of 912,904,000 (2010: 906,739,476) ordinary shares, calculated as follows:

	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share at 31 March	912,904,000	904,564,592
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	-	2,174,884
Weighted average number of ordinary shares for the purpose of diluted earnings per share at 31 March	<u>912,904,000</u>	<u>906,739,476</u>



## 9. Trade and other receivables

	2011 HK\$'000	2010 HK\$'000
Trade receivables	2,117	1,289
Other receivables	463	768
Gross amount due from customers for service contract work	2,740	1,847
Retention money receivables	187	47
Deposits and prepayments	1,387	979
	<b>6,894</b>	<b>4,930</b>

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

	2011 HK\$'000	2010 HK\$'000
Current	279	567
Less than 1 month past due	1,114	614
1 month to 3 months past due	664	95
More than 3 months but less than 1 year past due	52	13
More than 1 year past due	8	-
Amounts past due	1,838	722
	<b>2,117</b>	<b>1,289</b>

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

## 10. Trade and other payables

	2011 HK\$'000	2010 HK\$'000
Trade payables	590	1,027
Accrued charges and other payables	2,070	1,758
Gross amount due to customers for service contract work	482	203
Deferred maintenance income	1,104	1,125
	<b>4,246</b>	<b>4,113</b>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows :

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Less than 1 month	<b>236</b>	424
1 month to 3 months	<b>185</b>	352
More than 3 months but less than 1 year	<b>142</b>	236
More than 1 year	<b>27</b>	15
	<b>590</b>	1,027

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **Business Review**

#### *Marketing and Operation*

During the Year, our solution and professional services arm, ITE Smartcard Solutions Limited (“ITES”), was awarded with a number of new smartcard contracts by clients for the provisions of smartmeter, e-payment, attendance, access control and passage management systems. Enhancement and maintenance service orders and purchases of smartcard products have remained fairly stable.

Despite the loss of a substantive information technology staffing services contract with the Hong Kong Government, Quesco Systems Limited (“QSL”), has been awarded with new contracts by the Hong Kong Polytechnic University, the Hong Kong Trade Development Council and the Hong Kong Airport Authority for the provision of computer personnel services. The Directors have also formulated new strategy to build up a new business line with potential of growth and synergy with other subsidiaries of the Company.

Our product arm, RF Tech Limited (“RFT”), has developed many new products including an advanced handheld RFID reader which supports both low and high frequency tags and features Bluetooth connectivity, the product was now being tested by a law enforcement client. RFT also designed and developed a product line of hardware and software for the requirements of RFID library automation. The technologies deployed include both high frequency and ultra-high frequency RFID and computer vision.

The cooperation between ITES and the Automotive Parts and Accessory Systems R&D Centre (“APAS”) for the development of an electric vehicle fast charging station which would support Octopus Card, MacauPass Card and commercial used smartcards is giving promising result with the official launch of product made in June 2011. This is the first research and development project conducted with the APAS. It represents an important step of ITE into the sustainable and environment business opportunity. We strongly believe that there are tremendous opportunities ahead, and we have laid down a new milestone for ITE’s innovation and technology advance to the future.

### **Future Prospect**

ITE shall continue to build on the expertise, experience and leadership of our management team which recognizes that growth is critical to maintaining the Company’s momentum, we shall expand the range of products and services we offer, this can ensure that we will stay on course despite any difficult business environment. With the sound foundation built and better economic outlook in 2011, I look forward to the recovery of profitability in fiscal year 2012.

## **Financial Performance**

For the year ended 31 March 2011 the Group recorded a total turnover of approximately HK\$23 million, representing a decrease of 57% over last year. Loss for the year attributable to owners of the Company for the year ended 31 March 2011 was approximately HK\$3.4 million as compared to profit approximately HK\$0.2 million for last year.

## **Segmental Information**

During the year, the Group recorded a decrease in turnover for about 57% when compared with last year. However, the Group's gross profit margin has improved from 20% in last year to 28% in current year.

The service revenue generated from core business, i.e. the provision of the smartcard systems, RFID and IT services and related sales, was HK\$10,537,140 (2010: HK\$10,570,404) which is similar to that of last year. However, the income from maintenance services was decreased by 2% to approximately HK\$8,851,774 (2010: HK\$9,019,586).

For consultancy service segment, because of a major consultancy service contract ended on 31 October 2009, the turnover decreased significantly by 89% when compared with last year. The profit margin had also dropped from 14% to 9%.

With our continual tighter cost control during the severe financial situation, the Group's administrative expenses had decreased by 5%.

With our continual working capital improvement, the finance costs decreased significantly by 78% to HK\$86,547 (2010: HK\$397,161) for the year.

## **Liquidity, Financial Resources and Treasury Policies**

The Group generally financed its operations with its internally generated cash flows and bank borrowings. As at 31 March 2011, the Group had outstanding borrowings of HK\$1,821,100, comprising secured bank loans of HK\$1,000,000 and unsecured bank loans of HK\$821,000. As at 31 March 2011, the current ratio of the Group was 2.77 (2010: 1.82) while the liquidity ratio was 2.53 (2010: 1.71).

The Group continues to adopt a conservative approach towards its treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial condition of its customers. Besides, the Group's liquidity and financing arrangements are also reviewed regularly.

Taking into consideration the banking facilities granted, stringent cost control and the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation, development requirements and investments in the future.

## **Significant Investments**

The Group had no significant investments during the year under review.

## **Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies**

During the year under review, the Group had no acquisitions and disposals of subsidiaries and affiliated companies.

## **Employment Information**

The Group recognises that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance.

The Group enjoys good relations with staff and has not experienced any disruption of operations due to major labour disputes. In addition to the remuneration as mentioned above, the Group also provides fringe benefits which comply with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and contribution to the Mandatory Provident Fund Scheme of Hong Kong. Besides, the Group also provides on-going training programmes for its employees to keep them abreast of the latest market trends and new technologies.

As at 31 March 2011, the Group had 80 (2010: 83) full-time employees, of which 71 are based in Hong Kong and the rest are in the PRC and Macao. Staff costs, including directors' remuneration, was approximately HK\$15 million (2010: HK\$43 million) for the year ended 31 March 2011. During the year, the Company has not granted any share option to any of its Directors and employees.

## **Charges on Group Assets**

As at 31 March 2011, time deposits of HK\$5,816,140 (2010: HK\$17,623,709) 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 31 March 2011.

## **Gearing Ratio**

At 31 March 2011, the gearing ratio of the Group, which is calculated as the ratio of total secured bank loans due after one year to shareholders' funds, was nil (2010: 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 Liability**

At 31 March 2011, the Company has issued corporate guarantees to banks in respect of banking facilities granted to certain wholly owned subsidiaries.

## SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Scheme”) on 12 February 2001. In addition, the Company adopted a 2002 share option scheme (the “2002 Scheme”) on 8 August 2002, and the Pre-IPO Scheme was simultaneously terminated. Upon termination of the Pre-IPO Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Pre-IPO Scheme shall remain in force. The outstanding options granted under the Pre-IPO Scheme shall continue to be subject to the provisions of the Pre-IPO Scheme and Chapter 23 of the GEM Listing Rules, and the adoption of the 2002 Scheme will not in any event affect the terms in respect of such outstanding options.

### (a) Pre-IPO Scheme

As mentioned above, the Pre-IPO Scheme was terminated on 8 August 2002 and no further options may be offered thereunder. Details of the outstanding share options of the scheme during the year are as follows:

Name or category of participant	Number of share options				Outstanding at 31 March 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 2010	Granted during the year	Exercised during the year	Lapsed during the year					
Lau Hon Kwong, Vincent /Director	6,109,440	-	(6,108,000)	(1,440)	-	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
George Roger Manho /Director	4,000,000	-	-	(4,000,000)	-	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
Cheng Kwok Hung /Director	4,000,000	-	(4,000,000)	-	-	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
Liu Hoi Wah /Director	19,112,640	-	-	(19,112,640)	-	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
Lee Peng Fei, Allen /Director	1,760,000	-	(1,760,000)	-	-	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
Employees	35,157,920	-	(20,800,000)	(14,357,920)	-	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
	<u>70,140,000</u>	<u>-</u>	<u>(32,668,000)</u>	<u>(37,472,000)</u>	<u>-</u>				

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.12 (2010: HK\$Nil).

### (b) 2002 Scheme

The Company operates the 2002 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 2002 Scheme include the 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 2002 Scheme became effective on 8 August 2002 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 2002 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 2002 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 options granted to Directors, chief executive or substantial shareholders 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 21 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 2002 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; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

Details of the outstanding share options of the 2002 Scheme during the year are as follows:

Name or category of participant	Number of share options				Outstanding at 31 March 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 2010	Granted during the year	Exercised during the year	Lapsed during the year					
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>				

At 31 March 2011, the number of shares outstanding and issuable under the Pre-IPO Scheme and the 2002 Scheme were none and 9,900,000, respectively.

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

## PURCHASE, SALE AND REDEMPTION OF SHARES

During the year, the Company repurchased 256,000 ordinary shares of HK\$0.01 each in the capital of the Company at prices ranging from HK\$0.098 to HK\$0.106 per share on the Stock Exchange.

Month/year	Number of shares repurchased	Aggregate prices paid HK\$	Price paid per share	
			Highest HK\$	Lowest HK\$
February 2011	80,000	8,049	0.105	0.098
March 2011	<u>176,000</u>	<u>18,529</u>	0.106	0.103
	<u>256,000</u>	<u>26,578</u>		

The repurchased shares were cancelled in April 2011 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on repurchase of shares was charged against the share premium account of the Company. The Directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

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

## COMPETING INTERESTS

As at 31 March 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 as 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 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 financial statements for the year ended 31 March 2011 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

## **CORPORATE GOVERNANCE**

The Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2011, 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 separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

Under the code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Under the code provision A.4.2 stipulates that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

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

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



## **PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE**

The annual report of the Company containing all the information required by the GEM Listing Rules will be published on the GEM website in due course.

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

Hong Kong, 20 June 2011

*The Board as of the date of this announcement 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 announcement 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).*