



# ITE (HOLDINGS) LIMITED

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

**(Stock Code: 8092)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014**

### **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 2014, together with the comparative audited figures for the previous year.

### Consolidated Statement of Comprehensive Income

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	3, 4	<b>22,902</b>	28,365
Cost of services rendered		<b>(12,650)</b>	(17,875)
Cost of sales		<b>(302)</b>	(279)
<b>Gross profit</b>		<b>9,950</b>	10,211
Other gains		<b>401</b>	155
Administrative expenses		<b>(8,281)</b>	(9,273)
<b>Profit from operations</b>		<b>2,070</b>	1,093
Finance costs	5(a)	-	(32)
<b>Profit before taxation</b>	5	<b>2,070</b>	1,061
Income tax	6	-	-
<b>Profit attributable to owners of the Company</b>		<b>2,070</b>	1,061
<b>Other comprehensive income/(expense) for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
- Exchange differences on translating foreign operations, net of nil tax		<b>4</b>	(8)
<b>Total comprehensive income for the year</b>		<b>2,074</b>	1,053
<b>Earnings per share</b>	8		
Basic and diluted (HK cents)		<b>0.22</b>	0.11

## Consolidated Statement of Financial Position

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Fixed assets		291	375
<b>Current assets</b>			
Inventories		1,186	1,228
Trade and other receivables	9	5,216	6,293
Financial assets at fair value through profit or loss		1,006	751
Pledged bank deposits		2,019	2,212
Cash and bank balances		7,197	5,485
		<b>16,624</b>	<b>15,969</b>
<b>Current liabilities</b>			
Trade and other payables	10	4,423	5,578
Provisions		339	632
Income tax payable		24	20
		<b>4,786</b>	<b>6,230</b>
<b>Net current assets</b>		<b>11,838</b>	<b>9,739</b>
<b>Net assets</b>		<b>12,129</b>	<b>10,114</b>
<b>Capital and reserves</b>			
Share capital		9,295	9,306
Reserves		2,834	808
<b>Total equity</b>		<b>12,129</b>	<b>10,114</b>

## Consolidated Statement of Changes in Equity

	Attributable to owners of the company					Total HK\$'000
	Share capital	Share premium	Merger reserve	Exchange reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2012	9,306	24,999	10,749	286	(36,279)	9,061
<b>Changes in equity for the year:</b>						
Profit for the year	-	-	-	-	1,061	1,061
Exchange differences on translating foreign operations	-	-	-	(8)	-	(8)
Total comprehensive (expense)/ income for the year	-	-	-	(8)	1,061	1,053
Balance at 31 March 2013 and 1 April 2013	9,306	24,999	10,749	278	(35,218)	10,114
<b>Changes in equity for the year:</b>						
Profit for the year	-	-	-	-	2,070	2,070
Exchange differences on translating foreign operations	-	-	-	4	-	4
Total comprehensive income for the year	-	-	-	4	2,070	2,074
Repurchase of shares	(11)	(48)	-	-	-	(59)
Balance at 31 March 2014	9,295	24,951	10,749	282	(33,148)	12,129

## 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.

### 2. Adoption of new and revised HKFRSs

The HKICPA has issued a number of new HKFRSs and revised or amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of these revisions, amendments and new HKFRSs did not result in substantial changes to the Group’s accounting polices and amounts reported for the current year and prior years.

The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

### 3. Turnover

	2014 HK\$’000	2013 HK\$’000
Provision of smartcard systems, radio frequency identification (“RFID”) and information technology (“IT”) services		
- Service revenue	8,329	11,960
- Income from maintenance services	10,697	9,376
- Sales of service related products	684	579
	19,710	21,915
Consultancy income	3,192	6,450
	<u>22,902</u>	<u>28,365</u>

#### 4. Segment reporting

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

	Smartcard systems, RFID and IT services		Consultancy services		Consolidated	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>TURNOVER</b>						
Revenue from external customers	19,710	21,915	3,192	6,450	22,902	28,365
<b>RESULTS</b>						
Segment profit	3,822	3,336	263	192	4,085	3,528
Unallocated corporate revenue					401	155
Unallocated corporate expenses					(2,416)	(2,590)
Profit from operations					2,070	1,093
Finance costs					-	(32)
Profit before taxation					2,070	1,061
Income tax					-	-
Profit for the year					2,070	1,061
<b>ASSETS</b>						
Segment assets	6,018	7,000	481	727	6,499	7,727
Unallocated assets					10,416	8,617
Total assets					16,915	16,344
<b>LIABILITIES</b>						
Segment liabilities	4,201	5,193	248	672	4,449	5,865
Unallocated liabilities					337	365
Total liabilities					4,786	6,230
<b>OTHER INFORMATION</b>						
Capital expenditure	46	439	-	-	46	439
Depreciation	130	107	-	-	130	107
Provisions	498	693	20	61	518	754
Reversal of unused provisions	(782)	(685)	(29)	(106)	(811)	(791)
Write-off of inventories	42	72	-	-	42	72

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

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

a. Geographical information

The Group's operations are principally located in Hong Kong, Macao and the People's Republic of China (the "PRC").

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

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	19,478	25,376	287	373
Macao	3,424	2,989	1	1
PRC	-	-	3	1
	<b>22,902</b>	<b>28,365</b>	<b>291</b>	<b>375</b>

b. Information about major customers

For the year ended 31 March 2014, there was two (2013: two) customers who accounted for over 10% of total revenue of the Group with revenue of HK\$5,139,391 (2013: HK\$7,881,109) related to the smartcard systems, RFID and IT services segment (2013: smartcard systems, RFID and IT services segment and consultancy services segment).

## 5. Profit before taxation

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

	2014 HK\$'000	2013 HK\$'000
(a) Finance costs:		
Interest on bank loans and overdrafts	-	32
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	13,460	16,225
Retirement scheme contributions	538	641
	<b>13,998</b>	<b>16,866</b>
(c) Other items:		
Auditor's remuneration	339	330
Cost of inventories	2,834	3,205
Depreciation	130	107
Development costs	426	385
Exchange loss, net	9	-
Provisions	518	754
Operating lease charges: minimum lease payments		
- hire of properties	1,250	1,598
- hire of office equipment	46	46
Reversal of unused provisions	(811)	(791)
Write-off of inventories	42	72

## 6. Income tax

- (a) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for taxation purposes in Hong Kong during the year ended 31 March 2014 (2013: 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 year ended 31 March 2014 (2013: HK\$Nil).

- (b) At 31 March 2014, the Group has not recognised deferred tax assets in respect of unused tax losses of approximately HK\$41,750,000 (2013: HK\$43,457,000) and deductible temporary differences of approximately HK\$452,000 (2013: HK\$413,000) due to the uncertainty of the related tax benefits being realised through future taxable profits. The unused tax losses of approximately HK\$3,395,000 (2013: HK\$3,854,000) 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. Dividends

	2014	2013
	HK\$	HK\$
Proposed final dividend – HK\$0.2 cents (2013: HK\$Nil) per ordinary share	<u>1,859,088</u>	<u>-</u>

The above proposed final dividend for the year amounting to HK\$1,859,088, is recommended by the directors on 18 June 2014, which is to be paid out of the share premium account of the Company. Such dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

## 8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$2,070,000 (2013: HK\$1,061,000) and the weighted average of 930,560,416 (2013: 930,592,000) ordinary shares in issue during the year, calculated as follows:

	2014	2013
Issued ordinary shares at 1 April	930,592,000	930,592,000
Effect of repurchase of shares	(31,584)	-
Weighted average number of ordinary shares at 31 March	<u>930,560,416</u>	<u>930,592,000</u>

As the Company does not have any potential dilutive ordinary shares during the year ended 31 March 2014 (2013: Nil), basic and diluted earnings per share are the same.

## 9. Trade and other receivables

	2014	2013
	HK\$'000	HK\$'000
Trade receivables	2,286	3,796
Other receivables	619	488
Gross amount due from customers for service contract work	793	806
Retention money receivables	420	442
Deposits and prepayments	1,098	761
	<u>5,216</u>	<u>6,293</u>

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current	<b>560</b>	1,606
Less than 1 month past due	<b>1,033</b>	1,547
1 month to 3 months past due	<b>689</b>	328
More than 3 months but less than 1 year past due	<b>4</b>	315
Amounts past due	<b>1,726</b>	2,190
	<b>2,286</b>	3,796

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

#### 10. Trade and other payables

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>286</b>	496
Accrued charges and other payables	<b>2,290</b>	2,758
Gross amount due to customers for service contract work	<b>274</b>	376
Deferred maintenance income	<b>1,573</b>	1,948
	<b>4,423</b>	5,578

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Less than 1 month	<b>244</b>	315
1 month to 3 months	<b>42</b>	95
More than 3 months but less than 1 year	-	-
More than 1 year	-	86
	<b>286</b>	496

## **SCOPE OF WORK OF BAKER TILLY HONG KONG**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("Baker Tilly"), to the amounts nearest to thousands as set out in the Group's consolidated financial statements for the year. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on this preliminary announcement.

## **DIVIDEND**

On 18 June 2014, the Directors recommend the payment of a final dividend of HK0.2 cents (2013: HK\$Nil) per ordinary share of the company in cash distributed from the share premium account of the company for the year ended 31 March 2014 to shareholders whose names appear on the register of members of the Company on Thursday, 21 August 2014. As at 31 March 2014, the Company's share premium account was approximately HK\$24,952,000. Subsequent to the approval of the Company's shareholders at the forthcoming annual general meeting and after the payment of the proposed final dividend, assuming there are no other changes to the share premium account, the Company's share premium account is expected to be reduced to approximately HK\$23,092,000. No interim dividend was declared and paid during the year. The recommendation of final dividend has not been incorporated in the financial statements for the year but will be recorded in the following year.

## **Closure of Register of Members**

### **(i) Entitlement to Attend and Vote at the 2014 Annual General Meeting**

The register of members will be closed from Wednesday, 6 August 2014 to Friday, 8 August 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at 46/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 5 August 2014.

### **(ii) Entitlement to the Proposed Final Dividend**

The register of members will be closed from Tuesday, 19 August 2014 to Thursday, 21 August 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at 46/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 18 August 2014.

## 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

During the Year, our solution and professional services arm, ITE Smartcard Solutions Limited (“ITES”), has added the Hong Kong Productivity Council, Mass Transit Railway Corporation Limited and Octopus Cards Limited to our client lists. We received orders and completed the delivery of hardware and application software development services for these new clients. We were also awarded with a number of new contracts by clients served by the Group for years. The orders covered the supply of hardware and software and the provision of professional services to expand or enhance their smartcard application platforms.

For the fifth consecutive year, ITES provided the production and personalization services of the student smartcards for various institutes of the Hong Kong Vocational Training Council. More than 10,000 pieces of student smartcards were produced and delivered.

The certification process of our Electric Vehicle (“EV”) Fast Charging Station EFS-10, which was jointly developed with the Hong Kong Automotive Parts and Accessory Systems R&D Centre, has continued and is expected to be completed in mid 2014. We are also pleased to announce that a new R&D project, “Development of Mobilized EV Charging Service Vehicle and Combo Fast Charging Station”, was approved under the Innovation and Technology Support Program of the Hong Kong Government.

The primary objective of the project is to develop an integrated EV fast charging solution compliant to the Combo Charging Standard. Combo Charging Standard is the new unified EV standard for North American and European EV automakers. The key technology will focus on the DC fast and AC semi-fast charging power control algorithms. The R&D team will implement the Power Line Communication (PLC) protocols between off-board conductive charger and battery management system. This is able to cope for supporting European and US EVs in Hong Kong, and also to catch the new potential market demand of Combo charging station product exports to overseas. Another objective of the project is to develop a mobilized EV charging service vehicle which aims to serve emergency charging assistance, roadside EV fleet charging and “power hub” for commercial vehicles. The project outcome will complete ITE’s EV charging technology profile in supporting all worldwide EV standards, it will also facilitate Hong Kong with a comprehensive infrastructure supporting all assorted EV standards and automakers.

During the Year, our R&D arm, RF Tech Limited (“RFT”), has added a new software product to the intelli software family. The new intelliPBS “Pay-by-Smartphone” software product shall meet the fast growing needs and requirements for electronic payment applications, targeting those related to remote and wireless. Leveraging on the advance in information and communication technologies (“ICT”), both the smartphone products and ICT infrastructure have sophisticated functions and features that can be used for the remote and wireless control and monitoring through internet or telecommunication network. With the Near-Field-Communication (“NFC”) feature, a smart phone can become a contactless smartcard for instant e-purse payment, or it can act as a contactless smartcard reader to debit e-purse card like Octopus Card or MacauPass Card. The settlement record can be downloaded to both the backend system and the front end “Point-of-Sales” device like a parking meter or a self-service kiosk. The potential of “Pay-by-Smartphone” applications are tremendous, ITE will continue to explore and develop the related business opportunities.

Colleagues and friends of ITE continued to support social caring activities. We participated in the Suicide Prevention Services (“SPS”) Charity Walk 2014 and achieved our fund-raising target. All donations will be used in SPS services for serving people of all ages in Hong Kong who are suicidal, in despair or emotionally distressed by befriending them, and offering services to help them to regain control of their emotions and find the will to carry on. We also welcome five new interns joining the Group. They come from The Hong Kong Polytechnic University and The Chinese University of Hong Kong with different engineering disciplines ranging from computing, electronic, information, mechanical and system engineering. ITE has been supporting internship program for university undergraduates since 2006. We assist the students to gain solid experience and knowledge in their fields through actual work responsibilities.

### **Future Prospect**

Since our establishment, we have been focusing on our core business and technologies, we continue to devote our efforts and resources for the long term growth of the Group building on our *Innovation, Technology and Excellency*; three words which best explain the name of ITE.

All members of the Company performed professionally under the corporate vision, mission and core values. Every year, new intellectual assets are created and accumulated and the range of professional services continues to expand to meet the fast growing needs of the changing market. We have firmly maintained our position as the pure rider to provide multi-applications solutions to our clients.

With improving efficiency and effectiveness, new product development and professional services enhancement, the Directors are optimistic that our profitability will continue to improve throughout the year.

### **Financial Performance**

For the year ended 31 March 2014, the Group recorded a total turnover of approximately HK\$23 million, representing a decrease of 19% over last year. Profit for the year attributable to owners of the Company for the year ended 31 March 2014 was approximately HK\$2.1 million as compared to that of approximately HK\$1.1 million for last year.

### **Segmental Information**

During the year, the Group recorded a decrease in turnover for about 19% when compared with last year. However, the Group’s gross profit margin improved from 36% in last year to 43% in current year.

The service revenue generated from core business, i.e. the provision of the smartcard systems, RFID and information technology (“IT”) services and related sales, was HK\$9,013,702 (2013: HK\$12,538,782) which decreased by 28%. However, the income from maintenance services increased by 14% to HK\$10,696,765 (2013: HK\$9,375,500).

For consultancy service segment, the turnover decreased by 51% to HK\$3,191,743 (2013: HK\$6,450,295). The significant drop in this segment was mainly due to a consultancy contract ended in last year end. In spite of drop in turnover, the profit margin improved from 9% to 11%.

With our continual cost control, the Group’s administrative expenses dropped by 11%.

With our continual working capital improvement, the finance costs was nil (2013: HK\$31,711) for the year.

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

The Group generally financed its operations with its internally generated cash flows and available bank facilities. As at 31 March 2014, the Group did not have any outstanding borrowings. As at 31 March 2014, the current ratio of the Group was 3.47 (2013: 2.56) while the liquidity ratio was 3.23 (2013: 2.37).

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

Taking into consideration the stringent cost control and the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation, development 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 2014, the Group had 62 (2013: 71) full-time employees, of which 57 are based in Hong Kong and the rest are in the PRC and Macao. Staff costs, including directors' remuneration, was approximately HK\$14 million (2013: HK\$17 million) for the year ended 31 March 2014. 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 2014, time deposits of HK\$2,018,503 (2013: HK\$2,212,053) was pledged to banks to secure certain banking facilities of the Group. However, taking into consideration of non-deployment of any banking facilities in the past year and the existing stringent cash flow management, the Group decided not to extend the banking facilities offered. Therefore, the charge on the time deposits was subsequently released on 1 April 2014.

## **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 2014.

## **Gearing Ratio**

At 31 March 2014, the gearing ratio of the Group, which is calculated as the ratio of total borrowings to total equity, was nil (2013: 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 2014, the Company has issued corporate guarantee to a bank in respect of banking facilities granted to a wholly owned subsidiary.

## **SHARE OPTION SCHEMES**

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 options granted to directors, chief executives 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 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, (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.

Up to 31 March 2014, no share options were granted, exercised or lapsed.

At 31 March 2014, the number of share options outstanding and exercisable under the 2011 Scheme was none.

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 and up to the date of this report, the company purchased 1,048,000 ordinary shares of HK\$0.01 each in the capital of the company at average price of HK\$0.055 per share on the Stock Exchange in July 2013.

1,048,000 of repurchased shares were cancelled in March 2014. The issued share capital of the company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares was charged to 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 above-mentioned period.



## **COMPETING INTERESTS**

As at 31 March 2014, the Directors were not aware of any business or interest of each Director, managing shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such persons have or may have with the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, Dr. Lee Peng Fei, Allen (being the chairman of the Audit Committee), Mr. Kam Hau Choi, Anthony and Mr. Wong Wang Fat, Andrew.

The primary duties of the audit committee are to review the Company’s annual report and accounts, half-yearly report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets at least four times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The principal terms of reference includes, inter alia, its relationship with the Company’s external auditor, review of the Company’s financial information and oversight of the financial reporting system and internal control procedures of the Company.

The Group’s financial statements for the year ended 31 March 2014 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

## **CORPORATE GOVERNANCE**

The Company is firmly committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The Board ensures that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) throughout the year ended 31 March 2014, 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.

## **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 2014. 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 2014.

## **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, 18 June 2014

*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. Kam Hau Choi, Anthony and Mr. Wong Wang Fat, Andrew 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).*