



# ITE (HOLDINGS) LIMITED

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

**(Stock Code: 8092)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016**

### **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 2016, together with the comparative audited figures for the previous year.

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

	Note	2016 HK\$'000	2015 HK\$'000
<b>Turnover</b>	3, 4	<b>24,169</b>	29,395
Cost of services rendered		<b>(14,029)</b>	(17,497)
Cost of sales		<b>(188)</b>	(314)
<b>Gross profit</b>		<b>9,952</b>	11,584
Other income and other (losses)/gains, net		<b>564</b>	865
Administrative expenses		<b>(10,186)</b>	(9,203)
Share of loss of an associate		<b>(1)</b>	(2)
<b>Profit before taxation</b>	5	<b>329</b>	3,244
Income tax	6	-	-
<b>Profit for the year attributable to owners of the company</b>		<b>329</b>	3,244
<b>Other comprehensive income for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations, net of nil tax		<b>94</b>	3
<b>Total comprehensive income for the year</b>		<b>423</b>	3,247
<b>Earnings per share</b>	8		
Basic and diluted (HK cents)		<b>0.04</b>	0.35

**Consolidated Statement of Financial Position**

	Note	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		125	201
Interest in an associate		-	1
Goodwill		-	-
		<b>125</b>	<b>202</b>
<b>Current assets</b>			
Inventories		1,123	1,233
Trade and other receivables	9	6,184	9,312
Loans to an associate		200	100
Financial assets at fair value through profit or loss		1,765	1,586
Income tax recoverable		159	-
Pledged bank deposits		2,000	-
Non-pledged time deposits with maturity over three months from date of deposits		-	656
Cash and cash equivalents		6,121	7,501
		<b>17,552</b>	<b>20,388</b>
<b>Current liabilities</b>			
Trade and other payables	10	4,852	6,808
Provisions		482	241
Income tax payable		-	24
		<b>5,334</b>	<b>7,073</b>
<b>Net current assets</b>		<b>12,218</b>	<b>13,315</b>
<b>Net assets</b>		<b>12,343</b>	<b>13,517</b>
<b>Capital and reserves</b>			
Share capital		9,274	9,295
Reserves		3,069	4,222
<b>Total equity</b>		<b>12,343</b>	<b>13,517</b>

## Consolidated Statement of Changes in Equity

	Attributable to owners of the company						
	Share capital	Share premium	Merger reserve	Exchange reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2014</b>	9,295	24,951	10,749	282	-	(33,148)	12,129
<b>Changes in equity for the year:</b>							
Profit for the year	-	-	-	-	-	3,244	3,244
Exchange differences on translation of foreign operations	-	-	-	3	-	-	3
Total comprehensive income for the year	-	-	-	3	-	3,244	3,247
Dividend paid in respect of previous year	-	(1,859)	-	-	-	-	(1,859)
<b>At 31 March 2015 and 1 April 2015</b>	9,295	23,092	10,749	285	-	(29,904)	13,517
<b>Changes in equity for the year:</b>							
Profit for the year	-	-	-	-	-	329	329
Exchange differences on translation of foreign operations	-	-	-	94	-	-	94
Total comprehensive income for the year	-	-	-	94	-	329	423
Equity-settled share-based payments	-	-	-	-	1,029	-	1,029
Repurchase of shares	(21)	(283)	-	-	-	-	(304)
Dividend paid in respect of previous year	-	(2,322)	-	-	-	-	(2,322)
<b>At 31 March 2016</b>	9,274	20,487	10,749	379	1,029	(29,575)	12,343

## 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 certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group. The adoption of these new and revised 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

	2016 HK\$'000	2015 HK\$'000
Provision of smartcard systems, radio frequency identification (“RFID”) and information technology (“IT”) services		
- Service revenue	10,856	15,093
- Income from maintenance services	11,944	11,587
- Sales of service related products	462	655
	23,262	27,335
Consultancy income	907	2,060
	<u>24,169</u>	<u>29,395</u>

#### 4. Segment reporting

##### (a) Operating segment information

The group conducts its business within one business segment, smartcard systems, RFID, IT services and related services. All of the group's products and services are of a similar nature and subject to similar risk and returns. Following the business operation review with effect from 1 April 2015, for management purpose, the management does not review the performance of the business in smartcard systems, RFID and IT services, and related consultancy services separately as the segment of provision for consultancy services has continued to be downsized. Accordingly, the group's operating activities are attributable to a single operating segment, such changes have been restated for comparative amounts in prior year.

##### (b) 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 are detailed below:

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	19,301	21,238	115	196
Macao	4,868	8,157	4	3
PRC	-	-	6	2
	<b>24,169</b>	29,395	<b>125</b>	201

##### (c) Information about major customers

For the year ended 31 March 2016, there were three (2015: three) customers who accounted for over 10% of total revenue of the group with aggregate amount of HK\$8,712,512 (2015: HK\$11,665,957).

## 5. Profit before taxation

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

	2016	2015
	HK\$'000	HK\$'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	13,037	12,891
Retirement scheme contributions	509	521
Equity-settled share-based payments	1,029	-
	<hr/> 14,575	<hr/> 13,412
(b) Other items:		
Auditor's remuneration	358	348
Cost of goods sold	3,350	7,263
Depreciation	150	137
Development costs	918	537
Exchange loss, net	200	12
Provisions	729	379
Operating lease charges: minimum lease payments		
- hire of properties	1,282	1,220
- hire of office equipment	48	48
Reversal of unused provisions	(488)	(477)
Write-off of inventories	129	31
	<hr/> 129	<hr/> 31

## 6. Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	HK\$	HK\$
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	25,825	-
Over provision in respect of prior years	( 25,825)	-
	<hr/>	<hr/>
	-	-

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.

During the year ended 31 March 2016, provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year. During the year ended 31 March 2015, no provision for Hong Kong Profits Tax was made as the group did not have any assessable profit for taxation purposes in Hong Kong.

No provision for income tax in the PRC and Macao have been made as the group did not have any assessable profit for taxation purpose in the PRC or Macao during the year ended 31 March 2016 (2015: HK\$Nil).

(b) At 31 March 2016, the group has not recognised deferred tax assets in respect of unused tax losses of approximately HK\$35,054,000 (2015: HK\$37,181,000) and deductible temporary differences of approximately HK\$557,000 (2015: HK\$507,000) due to the uncertainty of the related tax benefits being realised through future taxable profits. The unused tax losses of approximately HK\$1,775,000 (2015: HK\$2,640,000) 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

	2016	2015
	HK\$	HK\$
Proposed final dividend – HK\$Nil cents		
(2015: HK\$0.25 cents) per ordinary share	<u>          -</u>	<u>2,323,860</u>

Final dividend of HK\$0.25 cents per share in respect of the year ended 31 March 2015 was approved by the shareholders of the company on 10 August 2015.

The board of directors do not recommend the payment of any dividend in respect of the year ended 31 March 2016.



## 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\$329,000 (2015: HK\$3,244,000) and the weighted average of 928,663,945 (2015: 929,544,000) ordinary shares in issue during the year, calculated as follows:

	2016	2015
Issued ordinary shares at 1 April	929,544,000	929,544,000
Effect of repurchase of shares	(880,055)	-
Weighted average number of ordinary shares at 31 March	<u>928,663,945</u>	<u>929,544,000</u>

As the company does not have any potential dilutive ordinary shares during the year ended 31 March 2016 and 2015, basic and diluted earnings per share are the same.

## 9. Trade and other receivables

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	1,738	3,796
Other receivables	893	731
Gross amount due from customers for service contract work	2,036	2,055
Retention money receivables	34	-
Deposits and prepayments	1,483	2,730
	<u>6,184</u>	<u>9,312</u>

All of the trade and other receivables, apart from certain deposits of HK\$256,007 (2015: HK\$378,612) are expected to be recovered or recognised as expenses within one year.

(a) An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	HK\$'000	HK\$'000
Less than 1 month	1,265	3,050
More than 1 month but less than 3 months	473	709
More than 3 months but less than 1 year	-	37
	<u>1,738</u>	<u>3,796</u>

Trade receivables are generally due within 30 to 60 days (2015: 30 to 45 days) from the date of billing.

(b) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired as at the end of the reporting period is as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>1,007</b>	1,764
Less than 1 month past due	<b>418</b>	1,551
More than 1 month but less than 3 months past due	<b>313</b>	444
More than 3 months but less than 1 year past due	-	37
Amounts past due	<b>731</b>	2,032
	<b>1,738</b>	3,796

#### 10. Trade and other payables

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>314</b>	325
Accrued charges and other payables	<b>2,221</b>	3,549
Gross amount due to customers for service contract work	<b>631</b>	1,044
Deferred maintenance income	<b>1,686</b>	1,890
	<b>4,852</b>	6,808

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Less than 1 month	<b>279</b>	280
More than 1 month but less than 3 months	<b>32</b>	43
More than 3 months but less than 1 year	<b>3</b>	2
	<b>314</b>	325

## **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 2016 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**

During the year ended 31 March 2015, the directors recommend the payment of a final dividend of HK\$0.25 cents per ordinary share of the company in cash distributed from the share premium account of the company. The proposed final dividend of HK\$2,323,860 had been approved by the shareholders of the company in the annual general meeting held on 10 August 2015 and subsequently paid on 8 September 2015. No interim dividend was declared and paid during the year. The directors do not recommend the payment any dividend in respect of the year ended 31 March 2016.

## **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 been awarded with a number of new contracts by our clients. 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 seventh 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.

ITES has been awarded with a new contract for the design, supply and implementation services of a RFID asset management system for a government department. The project will deploy Ultra High Frequency ("UHF") RFID technology complying with ISO18000, thousands of government assets will be tagged by different form factor tags and read by handheld reader devices. ITES shall provide all hardware, software and related professional services to meet the requirements and needs of our client. A new HOMAC UHF handheld reader device with Bluetooth and rechargeable lithium battery technologies will be developed and used for this system.

We were also awarded with a new contract for the access control system upgrade of Amoy Gardens. ITES provided the first Mifare smartcard access control system for Amoy Gardens back in 2003. We were the first contractor to provide solution and professional services for Amoy Gardens after the SARS tragedy happened in early 2003. We are extremely delighted to have the opportunity to continue the provision of professional services to all Amoy Gardens residents.

Our R&D arm, RF Tech Limited, has added new hardware and software libraries to our product family. Our continual efforts in innovation and R&D have created and accumulated new intellectual property rights with a number of patents, design registrations and service trademarks filed.

Climate change has posed an unprecedented, global challenge for everyone. Being part of the international community, ITE shall contribute to the solution. Jointly developed with the Automotive Parts and Accessory Systems R&D Centre (“APAS”) of Hong Kong Productivity Council (“HKPC”), the first mobilized electric vehicle (“EV”) charger in Hong Kong has received international attention. This innovation showcased at the ‘44th International Exhibition of Inventions Geneva’ in Switzerland have garnered a Silver Award. This is recognition of the efforts and dedication of the research teams in providing creative applied solutions to the industry. HKPC/APAS and ITE will continue to embark on applied R&D to assist enterprises to adopt innovative technologies to enhance competitiveness, while improving the quality of living for the community.

While traditional EV charging stations are stationed in a fixed location, the mobilized EV charger offers highly flexible and multi-standard charging solutions for EVs or fleet EVs, where EV charging stations are not available. Compared to other emergency diesel engine charging service truck in overseas, the mobilized EV charger is more eco-friendly as the electricity is supplied by a battery pack. It supports full range of EV brands from Tesla, Nissan, BMW and Volkswagen.

One Smart Electric Vehicle Fast Charging Station was installed at the Hong Kong International Airport for a public trial scheme funded by the Innovation Technology Commission. Another two charging stations will be installed for two government departments in the coming quarters.

For the fifth consecutive year, colleagues, families and friends of ITE continued to support “Charity Walk 2016” of Suicide Prevention Services (“SPS”) and achieved the 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 new interns joining the group. They came 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. Since 2006, ITE has been supporting internship program for university undergraduates for ten years. We have assisted more than one hundred 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, accumulated and protected, 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 innovative solutions to our clients.

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

### **Financial Performance**

For the year ended 31 March 2016, the group recorded a turnover of approximately HK\$24 million, representing a decrease of 18% over last year. Profit for the year attributable to owners of the company for the year ended 31 March 2016 was approximately HK\$0.3 million as compared to that of approximately HK\$3.2 million for last year.

## **Segmental Information**

During the year, the group recorded a decrease in turnover for about 18% when compared with last year. However, the group's gross profit margin had improved from 39% in last year to 41% 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\$11,318,269 (2015: HK\$15,748,502) which decreased by 28%. On the other hand, the income from maintenance services increased by 3% to HK\$11,943,838 (2015: HK\$11,586,449).

The group's administrative expenses increased by 11% to HK\$10,186,386 (2015: HK\$9,203,259). This main reason of such increase was due to the granting of share options in July 2015 and the related share-based payment expense amounted to HK\$1,029,300 was fully recognized during the year. However, the research and development cost and associated sponsorship was dropped by 32% to HK\$1,123,377 (2015: HK\$1,659,950). Expenditure on research and development activities was totally expensed in profit or loss during the year.

During the year, the group maintained a healthy liquidity position and therefore the finance costs was HK\$Nil (2015: HK\$Nil).

## **Liquidity and Financial Resources**

The group generally financed its operations with its internally generated cash flows. At 31 March 2016, the group did not have any outstanding borrowings. At 31 March 2016, the current ratio of the group was 3.29 (2015: 2.88) while the liquidity ratio was 3.08 (2015: 2.71).

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.

## **Gearing Ratio**

At 31 March 2016, the gearing ratio of the group, which is calculated as the ratio of total borrowings to total equity, was Nil (2015: Nil).

## **Treasury Policy**

The group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the board closely monitors the group's liquidity position to ensure that the liquidity structure of the group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **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 its 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 the Social Security Scheme in the PRC and the Mandatory Provident Fund Scheme in 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.

At 31 March 2016, the group had 55 (2015: 56) full-time employees, of which 51 (2015: 51) are based in Hong Kong and the rest are in the PRC and Macao. Staff costs, including directors' remuneration, was approximately HK\$15 million (2015: HK\$13 million) for the year ended 31 March 2016. On 9 July 2015, the company had granted 10,950,000 share options to its directors and employees.

## **Charges on Group Assets**

At 31 March 2016, HK\$2,000,170 time deposit (2015: HK\$Nil) was pledged to a bank to secure certain banking facilities of a wholly-owned subsidiary of the company.

## **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 2016.

## **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\$"), Macau 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 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 2016, the company did not have any contingent liability.

## **SHARE OPTION SCHEME**

The company operates the 2011 Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the group's operations. Eligible participants of the 2011 Scheme include the company's directors, including independent non-executive directors, other employees of the group, suppliers of goods or services to the group, customers of the group, advisers and consultants, etc. The 2011 Scheme became effective on 8 August 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other share option scheme 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 scheme 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 exercisable 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 options 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.

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

On 9 July 2015, the company granted share options to certain eligible participants to subscribe for an aggregate of 10,950,000 ordinary shares of HK\$0.01 each in the share capital of the company, represented approximately 1.18% of all the shares in issue as at the date of the grant.

(a) The following table details the company's share options in issue under the 2011 Scheme during the year

Participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of exercisable and outstanding share options		
				At 1 April 2015	Granted during the year	At 31 March 2016
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
			Total	-	10,950,000	10,950,000
			Weighted average exercise price (HK\$)	-	0.154	0.154

No share options was exercised during the year ended 31 March 2016.

(b) Fair value of share options and assumption

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

The inputs into the model were as follows:

Date of grant	9 July 2015
Total number of share options	10,950,000
Share price of the company at the date of grant	HK\$0.152
Exercise price per share	HK\$0.154
Expected volatility	91%
Option life	6.08 years
Expected dividend yield	Nil
Risk-free interest rate	1.26%

The expected volatility is based on the historic volatility of the company's share price and it is assumed there is no material change over the whole life of share options.

The total fair value of the share options granted during the year was approximately HK\$1,029,300 with fair value of HK\$0.094 for each option. The group has recognised equity-settled share-based payments of HK\$1,029,300 arising from options vested during the year.

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 year.

## PURCHASE, SALE AND REDEMPTION OF SHARES

During the year, the company repurchased a total of 2,188,000 shares of HK\$0.01 each in the share capital of the company on the Stock Exchange pursuant to the general mandates granted by the shareholders at the annual general meetings of the company held on 8 August 2014 and 10 August 2015, details of which were as follows:

Date of repurchase	No. of shares repurchased	Price per share repurchased		Total consideration
		Highest	Lowest	(before expenses)
		HK\$	HK\$	HK\$
7 July 2015	200,000	0.130	0.124	25,316
8 July 2015	508,000	0.125	0.110	58,016
18 December 2015	1,080,000	0.149	0.148	160,420
11 February 2016	400,000	0.140	0.139	55,996
	<u>2,188,000</u>			<u>299,748</u>

All shares repurchased was cancelled subsequently and accordingly the company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per share of the company.

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



## **COMPETING INTERESTS**

As at 31 March 2016, 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 financial statements for the year ended 31 March 2016 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 2016, 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 2016. 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 2016.

## **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, 15 June 2016

*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).*