ITE ELECTRIC CO LTD
Registration No: 198201457Z

(I) PROPOSED DISPOSAL OF A WHOLLY-OWNED INACTIVE SUBSIDIARY, ITE ASSETS HOLDINGS PTE. LTD.

(II) RECEIPT OF CONDITIONAL APPROVAL FROM THE SGX-ST FOR WAIVER OF CATALIST RULE 1014 OF THE LISTING MANUAL IN RELATION TO SEEKING SHAREHOLDERS'APPROVAL FOR THE PROPOSED DISPOSAL

(I) PROPOSED DISPOSAL OF A WHOLLY-OWNED INACTIVE SUBSIDIARY, ITE ASSETS HOLDINGS PTE. LTD.

1. Introduction

The Board of Directors of ITE Electric Co Ltd (the "**Compan**y") wishes to announce that the Company has on 19 August 2014 entered into a sale and purchase agreement ("**SPA**") with Mr. MD Haris Bin MD Tahir (the "**Purchaser**") for the disposal of 10,000 ordinary shares in the capital of ITE Assets Holdings Pte. Ltd. ("**ITEA**"), representing the entire share capital of ITEA, for a cash consideration of S$8,000 (the "**Consideration**"), herein after defined as "**ITEA Disposal**".

2. Background and Rationale for the ITEA Disposal

ITEA was incorporated in the Republic of Singapore on 6 August 2008. The principal activity of ITEA relates to investment holding and trading of quoted securities. ITEA suffered a loss of approximately S$7.5 million in the financial year ended 31 December 2013 ("**FY2013**"), mainly due to losses on trading of quoted securities and provisions for impairment loss on available-for-sale financial assets. ITEA suffered another loss of approximately S$0.3 million in the first 6 months of 2014 ("**HY2014**"), arising from the selling off of all its remaining quoted securities in HY2014. With all these accumulated losses, ITEA's net asset value as at 30 June 2014 is approximately negative S$5.4 million. This amount is currently reflected as an amount due to the Company in the books of ITEA. As at 30 June 2014, ITEA has sold off all its investments in quoted shares and has ceased operations. Except for cash balance of S$15,895, ITEA has no other assets as at 30 June 2014.

To facilitate the ITEA Disposal, the Company will waive all the amount due from ITEA as the Company is unable to find any buyer who will take up such liabilities. The waiver of such amount will not have any impact to the Group's net assets and earnings as the losses of ITEA have been fully recognised by the Group in FY2013 and HY2014. After the waiver, the net asset value of ITEA will be approximately S$8,000 based on its latest management accounts as at 30 June 2014.

The Board of Directors (the "**Board**") of the Company is considering selling off this subsidiary as part of restructuring exercise of the Group. Subsequent to the material losses incurred by ITEA in FY2013, the Company has taken a more prudent approach to securities investment activities and as at 30 June 2014, ITEA is a company without any business activity. As disclosed in the Company's announcement

of its HY2014 results dated 12 August 2014, the Company has ceased the trading on quoted securities. In the annual general meeting held on 22 April 2014, the Company had also communicated to shareholders present that it would be ceasing its securities investment activities and focusing on its core electrical trading business. Accordingly, the ITEA Disposal is in line with the current focus of the Group.

The securities investment activities carried out under ITEA was never a core business of the Group and its contribution to the Group has been classified as 'other income' in the past financial years. Its contribution to the Group's results for FY2013 and HY2014 are as follows:

	The Group		ITEA		Percentage	
	FY2013	**HY2014**	**FY2013**	**HY2014**	**FY2013**	**HY2014**
	S$'million	**S$'million**	**S$'million**	**S$'million**	**%**	**%**
Revenue	20.3	10.0	-	-	-	-
Net loss	(8.2)	(0.4)	(7.5)	(0.3)	92	75

As mentioned earlier, the Company has completely ceased the securities investment activities of ITEA in the first half of 2014. As at 30 June 2014, ITEA does not carry on any business activities.

Accordingly, the ITEA Disposal will not materially change the nature and risk profile of the Group's business.

Furthermore, the ITEA Disposal would bring some savings in administrative expenses of the Group.

3. Principal Terms and Information on the Purchaser

The Principal Terms of the ITEA Disposal, inter alia, are set out below:

3.1 Consideration

As mentioned above, the Consideration shall be S$8,000, which is the adjusted net asset value of ITEA as at 30 June 2014 (after waiver of debts by the Company as mentioned above). The Consideration shall be payable in cash.

3.2 Conditions Precedent

Completion of the ITEA Disposal shall be conditional upon the following conditions (the "Conditions Precedent") being fulfilled on or before the Completion Date:-

(i) The Company obtains a waiver from compliance with Rule 1014 of the Listing Manual from the SGX-ST to hold an extraordinary general meeting ("**EGM**") for the ITEA Disposal, or the approval for the ITEA Disposal is obtained from the shareholders of the Company in the EGM; and

(ii) the waiver of the intercompany debt for an amount of approximately S$5.4 million owing by ITEA to the Company upon Completion pursuant to a Deed of Waiver and Release.

3.3 Information on the Purchaser

The Purchaser, Mr. Haris, was a senior officer in Sabah Foundation, Sabah State owned foundation and investment arm. He is currently a businessman involved in trading and supplies for the hospitality industry in Sabah and Brunei since 2009. Mr. Haris has declared that he has no relationship with or acts as nominee or trustee to the directors and controlling shareholders of the Company and their respective nominees or associates.

4. Documents Available for Inspection

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at 1 Harrison Road #01-01 ITE Electric Building Singapore 369652 for a period of three (3) months from the date of this announcement.

5. Relative Figures for the ITEA Disposal

The Company sets out the relative figures required under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") as follows:-

Rule	Base	Group	ITEA	%
1006 (a)	The net asset value of the assets to be disposed of, as compared with the Group's net asset value	S$7,561,000	S$(5,402,000)	(71.4) [(1)]
1006 (b)	The net loss attributable to the assets disposed of, compared with the Group's net loss	S$(363,000)	S$(331,326)	91.3 [(2)]
1006 (C)	The aggregate value of the consideration received, compared with the Company's market capitalization as at 15 August 2014	S$9,338,936	S$8,000 [(3)]	0.1
1006 (d)	The number of the equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity share will be issued in relation to the disposal		
1006 (e)	The aggregate volume or amount of the proven and probable reserves to			

Rule	Base	Group	ITEA	%
	be disposed of, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable as the basis is applicable to a mineral, oil and gas company		

Notes:

(1) Based on ITEA's net liabilities position as at 30 June 2014 prior to the waiver of the amount due to the Company and the Company's latest announced consolidated net asset position as at 30 June 2014.

(2) Based on the losses incurred by ITEA and the losses incurred by the Group for HY2014.

(3) Based on the Consideration which is determined based on the adjusted net asset position of ITEA after the waiver of the amount due to the Company.

6. Financial Effects of the ITEA Disposal

The proforma financial effects of the ITEA Disposal on the Company are set out below. The proforma financial effects are for illustration purposes only, they do not represent the actual financial position and/or results of the Company's operations after the completion of the ITEA Disposal and are not indicative of the future financial position and earnings of the Company.

Effects of the ITEA Disposal on the Net Tangible Assets per share (the **"NTA"**)

As ITEA has already ceased operations and its adjusted net asset value is only S$8,000 as mentioned above, the ITEA Disposal is not expected to have a material effect on the net tangible assets per share of the Company for the financial year ending 31 December 2014.

For the purpose of illustration and assuming that the ITEA Disposal had been completed on 31 December 2013, being the end of the most recently completed financial year, and based on the Group's audited consolidated financial statements as at 31 December 2013 and the Consideration of S$8,000 and waiver of debts by the Company, the effect on the NTA per share of the Group as at 31 December 2013 would be as follows:-

	Before the ITEA Disposal	After the ITEA Disposal
NTA	S$7,940,460	S$7,703,812
Number of Shares	137,337,290	137,337,290
NTA per share (cents)	5.8	5.6

Based on the above, there will be a 3.4% decrease in the NTA per share after the ITEA Disposal. The decrease is due to an additional loss suffered by the Group from the ITEA Disposal as the Consideration amount is much lower than ITEA's adjusted net asset value as at 31 December 2013 (after waiver of debts by the Company).

Effect of the ITEA Disposal on Earnings per share **("EPS**")

As mentioned above, ITEA suffered an additional loss of approximately S$0.3 million in the HY2014, of which the loss had been disclosed in the Company's announcement of its HY2014 results dated 12 August 2014. As ITEA has already ceased operations, the ITEA Disposal is not expected to have a material effect on the EPS per share of the Group for the second half of its financial year ending 31 December 2014.

Assuming that the ITEA Disposal had been completed on 1 January 2013, being the beginning of the most recently completed financial year, and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2013, and the sale consideration is based on ITEA's net asset value as at 1 January 2013 (therefore there will be no gain or loss on the ITEA Disposal), the effect on the EPS of the Group for the financial year ended 31 December 2013 would be as follows:-

	Before the ITEA Disposal	After the ITEA Disposal
Earnings	S$(8,146,182)	S$(650,027)
Number of Shares	137,337,290	137,337,290
EPS (cents)	(5.93)	(0.47)

Based on the above table, there will be a 92% increase in the EPS after the ITEA Disposal as the total loss of ITEA of approximately S$7.5 million for the financial year ended 31 December 2013 would be eliminated. However, this assumption is unrealistic as all investment carries some degree of risk and uncertainty, especially in the investment of quoted securities.

7. Interest of Directors and Controlling Shareholders

Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the ITEA Disposal.

8. Audit Committee's Opinion

After discussion with the management of the Company and taking into consideration the relevant commercial circumstances of the Company and the Group as a whole, the Audit Committee is of the opinion that the ITEA Disposal is in-line with the current focus of the Group and is not prejudicial to the interests of the Company and its shareholders.

9. Waiver Application

Rule 1014 (1) of the Listing Manual states that if any of the relative figures computed based on Rule 1006 of the Listing Manual exceeds 50% for a disposal, the transaction is classified as a major transaction. The issuer must, after terms have been agreed on, immediately announce the information required in Rule 1010, 1011, 1012 and 1013, of the Listing Manual where applicable. The transaction must also be made conditional upon approval by shareholders in a general meeting.

The Company had on 11 August 2014 applied to the SGX-ST for a waiver (the "**Waiver Application**") from compliance with Catalist Rule 1014 in relation to seeking shareholders' approval for the ITEA Disposal, on the basis of the following reasons:-

(i) Rule 1007(1) of the Listing Manual provides that if any of the relative figures computed pursuant to Rule 1006 is a negative figure, Chapter 10 of the Listing Manual may still be applicable to the issuer at the discretion of the SGX-ST. The relative figure under Catalist Rule 1006(a) is a negative figure. However, it is not meaningful as the asset to be disposed is in a net liabilities position. After the waiver of the amount due to the Company, the adjusted net asset position of ITEA will be approximately S$8,000, which represented only 0.1% of the Company's consolidated net asset position as at 31 December 2013 and 30 June 2014.

(ii) Under Note 10 of Practice Note 10A of the Listing Manual, the SGX-ST may grant a waiver of Rule 1014 from the requirement to seek shareholders' approval for the disposal if the assets to be disposed of are non-core or loss-making. As mentioned above, the business of ITEA is not the core business of the Group and ITEA incurred significant losses in FY2013 and HY2014.

(iii) The securities investment activities carried out under ITEA was never a core business of the Group and its contribution to the Group has been classified as 'other income' in the past financial years. Therefore, the disposal of ITEA will not result in a material change in the nature of the Company's business.

(iv) The Board has considered the factors set out above and believe that the ITEA Disposal (and the waiver of the amount due from ITEA) is in the interest of the Company and its shareholders.

(II) RECEIPT OF CONDITIONAL APPROVAL FROM THE SGX-ST FOR WAIVER OF CATALIST RULE 1014 OF THE LISTING MANUAL IN RELATION TO SEEKING SHAREHOLDERS'APPROVAL FOR THE ITEA DISPOSAL

The Board is pleased to announce that the SGX-ST has informed the Company in its letter dated 15 August 2014 that, based on the Company's information provided to the SGX-ST, the SGX-ST has no objection to granting the Company a waiver from compliance with Catalist Rule 1014 of the Listing Manual to seek shareholders' approval for the ITEA Disposal (the "**Waiver**") subject to the Company:

(i) Making an immediate announcement of the Waiver granted, disclosing the reasons for seeking the waiver, and that the Company and/or any of its Board of Directors are not aware

of any other material information in respect of the Company which was not formerly disclosed to the investors;

(ii) Making an immediate announcement of the finalisation of the sale and purchase agreement made between the Company and the Purchaser;

(iii) Disclosing the Board's opinion including the Audit Committee's confirmation on the following:

(a) The ITEA Disposal is in the best interest and not prejudicial to the interest of the Company and shareholders; and

(b) The ITEA Disposal is not expected to have material impact on the nature and risk profile of the Group's business. The Board should state the basis in arriving at the above.

Pursuant to the Waiver, the Board wishes to confirm the following:

(a) the Board concurs with the Audit Committee's opinion that the ITEA Disposal is in-line with the current focus of the Group, in the best interest and is not prejudicial to the interest of the Company and its shareholders;

(b) the ITEA Disposal is not expected to have material impact on the nature and risk profile of the Group's business as the securities investment activities carried out under ITEA was never a core business of the Group and its contribution to the Group has been classified as 'other income' in the past financial years and that ITEA is an inactive subsidiary;

(c) the Company and/or any of its Board of Directors are not aware of any other material information in respect of the Company which was not formerly disclosed to the investors.

With that, the Company intends to proceed to complete ITEA Disposal and will make the necessary announcement in due course once the ITEA Disposal is completed.

BY ORDER OF THE BOARD

Ho Cheng Leong
Chief Executive Officer

19 August 2014

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Asiasons WFG Capital Pte Ltd (the "**Sponsor**"), for compliance with the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the information disclosed or the correctness of any of the statements made, opinions expressed or reports contained in this announcement. This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this announcement including the correctness of any of the statements made, opinions expressed or reports contained in this announcement.

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