ICube Technology Holdings Limited
中國微電子科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 139)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

The Board of Directors (the "Board") of ICube Technology Holdings Limited (the "Company") announces the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 (the "Year") together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Notes	**For the year ended 31 March 2014** *HK$'000*	2013 *HK$'000*
Revenue	*2, 3*		
Electronic products		**9,456**	15,906
Treasury investments		**26,663**	(876)
		36,119	15,030
Cost of electronic products sold		**(9,434)**	(16,044)
Brokerage and commission expenses		**(194)**	(151)
		(9,628)	(16,195)
		26,491	(1,165)
Other income and gains	*3*	**4,480**	1,795
Selling and distribution expenses		**(277)**	(366)
Administrative expenses		**(41,521)**	(38,188)
Research costs		**(20,419)**	(13,541)
Other operating expenses		**(1,337)**	(1,910)
Gain on disposal of an available-for-sale equity investment		**–**	1,631
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		**31,364**	(16,186)
Derivative component of convertible bonds		**10,271**	22,276
Gain arising from modification of convertible bonds		**–**	49,693
Finance costs	*4*	**(16,958)**	(21,762)
LOSS BEFORE TAX	*5*	**(7,906)**	(17,723)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 March 2014

	Notes	For the year ended 31 March 2014 HK$'000	2013 HK$'000
Income tax expense	6	–	(79)
LOSS FOR THE YEAR		**(7,906)**	(17,802)
Attributable to:			
Owners of the parent		**5,404**	(6,199)
Non-controlling interests		**(13,310)**	(11,603)
		(7,906)	(17,802)
DIVIDEND	7	–	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		(Restated)
Basic		**HK0.36 cent**	HK(0.71) cent
Diluted		**HK0.17 cent**	HK(0.71) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(7,906)**	(17,802)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Changes in fair value	**1,862**	3,249
Release upon disposal of an available-for-sale equity investment	**–**	(1,631)
Income tax effect	**(308)**	(267)
	1,554	1,351
Exchange differences on translation of foreign operations	**(118)**	149
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,436**	1,500
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(6,470)**	(16,302)
Attributable to:		
Owners of the parent	**6,891**	(4,783)
Non-controlling interests	**(13,361)**	(11,519)
	(6,470)	(16,302)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

		As at 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,722**	1,604
Prepaid land lease payment		**–**	–
Available-for-sale equity investments		**14,461**	12,599
Total non-current assets		**16,183**	14,203
CURRENT ASSETS			
Equity investments at fair value through profit or loss	*9*	**176,617**	92,045
Inventories	*10*	**–**	478
Trade receivables	*11*	**1,108**	737
Prepayments, deposits and other receivables		**3,232**	1,823
Derivative component of convertible bonds		**14,804**	4,533
Restricted bank balances		**546**	1,953
Cash and bank balances		**83,223**	30,747
Total current assets		**279,530**	132,316
CURRENT LIABILITIES			
Trade payables	*12*	**16**	72
Tax payable		**12**	12
Other payables and accruals		**12,645**	13,205
Finance lease payables		**142**	85
Total current liabilities		**12,815**	13,374
NET CURRENT ASSETS		**266,715**	118,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 March 2014

		As at 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**282,898**	133,145
NON-CURRENT LIABILITIES			
Finance lease payables		**512**	–
Convertible bonds		**73,386**	65,379
Bonds		**79,421**	70,515
Deferred tax liabilities		**890**	582
Total non-current liabilities		**154,209**	136,476
Net assets/(liabilities)		**128,689**	(3,331)
EQUITY/(DEFICIENCY IN ASSETS)			
Equity attributable to owners of the parent			
Issued capital	*13*	**20,337**	6,779
Reserves		**147,459**	16,641
		167,796	23,420
Non-controlling interests		**(39,107)**	(26,751)
Total equity/(deficiency in assets)		**128,689**	(3,331)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements-Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKAS 1 and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been presented to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss " as introduced by the amendments in these financial statements.

(e) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[5]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKAS 16 and HKAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to HKFRSs issued in January 2014[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] No mandatory effective date yet determined but is available for adoption
[4] Effective for the first annual HKFRS financial statements for a period beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of making an assessment of the impact of those new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2. Operating segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

(a) the electronic products segment trades electronic products;

(b) the treasury investments segment comprises securities investment and trading; and

(c) the corporate and others segment comprises corporate income and expenses items and research and development of integrated circuit technology.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's loss before tax except that interest income, finance costs, fair value gain on the derivative component of convertible bonds, head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, the derivative component of convertible bonds and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments.

The following tables present revenue, loss and certain asset, liability and capital expenditure information for the Group's operating segments for the years ended 31 March 2014 and 2013.

Group

	Electronic products		Treasury investments		Corporate and others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**9,456**	15,906	**–**	–	**–**	–	**9,456**	15,906
Gains/(losses) from treasury investments	**–**	–	**26,663**	(876)	**–**	–	**26,663**	(876)
Total	**9,456**	15,906	**26,663**	(876)	**–**	–	**36,119**	15,030
Segment results	**(3,996)**	(4,377)	**57,670**	(15,729)	**(54,812)**	(47,734)	**(1,138)**	(67,840)
Reconciliation								
Interest income and unallocated gains							**18**	11
Fair value gain on derivative component of the convertible bonds							**10,271**	22,276
Gain arising from modification of convertible bonds							**–**	49,693
Unallocated expenses							**(99)**	(101)
Finance costs							**(16,958)**	(21,762)
Loss before tax							**(7,906)**	(17,723)
Income tax expense							**–**	(79)
Loss for the year							**(7,906)**	(17,802)
Assets and liabilities								
Segment assets	**1,920**	1,861	**191,611**	104,713	**2,641**	3,697	**196,172**	110,271
Reconciliation								
Unallocated assets							**99,541**	36,248
Total assets							**295,713**	146,519
Segment liabilities	**6,430**	6,782	**124**	120	**6,712**	6,407	**13,266**	13,309
Reconciliation								
Unallocated liabilities							**153,758**	136,541
Total liabilities							**167,024**	149,850

	Electronic products		Treasury investments		Corporate and others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Depreciation	**84**	93	**–**	–	**581**	541	**665**	634
Impairment of other receivables	**–**	–	**–**	–	**1,005**	1,858	**1,005**	1,858
Write-down/(reversal) of inventories to net realisable value	**(107)**	556	**–**	–	**–**	–	**(107)**	556
Write-off of items of property, plant and equipment	**–**	–	**–**	–	**–**	2	**–**	2
Fair value losses/(gains) on equity investments at fair value through profit or loss	**–**	–	**(31,364)**	16,186	**–**	–	**(31,364)**	16,186
Equity-settled share option arrangements	**28**	11	**–**	–	**6,905**	4,856	**6,933**	4,867
Capital expenditure	**16**	90	**–**	–	**766**	88	**782**	178

Geographical information

The following table represents revenue and non-current assets information for the Group's geographical information for the years ended 31 March 2014 and 2013.

	People's Republic of China (including Hong Kong)		Europe and South Africa		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Electronic products	**7,459**	13,981	**1,997**	1,925	**9,456**	15,906
Treasury investments	**26,663**	(876)	**–**	–	**26,663**	(876)
	34,122	13,105	**1,997**	1,925	**36,119**	15,030
Non-current assets	**1,722**	1,604	**–**	–	**1,722**	1,604

The revenue information above is based on the locations of customers and the stock markets.

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

Revenue of approximately HK$5,470,000 (2013: HK$10,811,000) was derived from sales by the electronic products segment to a single customer.

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, gains on disposal of equity investments at fair value through profit or loss, losses on disposal of note receivables, and dividend income from listed equity investments during the year.

An analysis of revenue, other income and gains is as follows:

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**9,456**	15,906
Gains on disposal of equity investments at fair value through profit or loss	**25,951**	4,015
Losses on disposal of note receivables	**–**	(5,383)
Dividend income from listed equity investments	**712**	492
	36,119	15,030
Other income and gains		
Bank interest income	**18**	11
Government grants	**3,223**	1,406
Other income	**1,185**	281
Others	**54**	97
	4,480	1,795

4. Finance costs

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Interest on finance leases	**28**	10
Imputed interest on convertible bonds	**8,007**	21,637
Interest on bonds	**8,906**	115
Interest on overdrafts	**17**	–
	16,958	21,762

5. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**9,541**	15,488
Depreciation	**665**	634
Research costs	**20,419**	13,541
Impairment of other receivables	**1,005**	1,858
Write-off of items of property, plant and equipment	**–**	2
Fair value gains of an available-for-sale equity investment (transfer from revaluation reserve upon disposal)	**–**	(1,631)
Write-down/(reversal) of inventories to net realisable value	**(107)**	556
Foreign exchange differences, net	**–**	4

6. Income tax expense

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – elsewhere		
Under provision in prior year	**–**	79
Total tax charge for the year	**–**	79

No provision for Hong Kong profits tax has been made as certain subsidiaries of the Group had no assessable profits arising in Hong Kong during the Year and there are available tax losses brought forward from prior year to offset assessable profits generated by certain other subsidiaries during the Year (2013: Nil). Taxes on profits assessable in Mainland China in the prior year had been calculated at the rates of tax prevailing in Mainland China in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

7. Dividend

The Board has resolved not to pay any final dividend for the Year (2013: Nil). In addition, no interim dividend was paid for the Year (2013: Nil).

8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$5,404,000 (2013: loss of HK$6,199,000) and the weighted average number of 1,489,285,117 (2013: 871,601,926 (restated)). The weighted average number of ordinary shares in issue used in the basic and diluted earnings/(loss) per share calculation for the years ended 31 March 2014 and 2013 have been adjusted for the rights issue in the current year and the share consolidation in the prior year, respectively.

The calculation of the diluted earnings per share amounts for the year ended 31 March 2014 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest and the fair value gains of derivative components on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2013 as no dilutive events existed for the exercise of share options, and the convertible bonds outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted earnings per share for the year ended 31 March 2014 are based on:

	2014
	HK$'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**5,404**
Interest on convertible bonds	**8,007**
Less: Fair value gains on the derivative component of convertible bonds	**(10,271)**
Profit attributable to ordinary equity holders of the parent before interest and fair value gains of derivative component on convertible bonds	**3,140**

	Number of shares 2014
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,489,285,117**
Effect of dilution – weighted average number of ordinary shares:	
Convertible bonds*	**351,370,344**
	1,840,655,461

* Share options are not considered in the effect of dilution as no diluting events existed during the year ended 31 March 2014.

9. Equity investments at fair value through profit or loss

	As at 31 March	
	2014	2013
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	**176,617**	92,045

10. Inventories

	As at 31 March	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	–	227
Work in progress	–	1
Finished goods	–	250
	–	478

11. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending to up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. There is a significant concentration of credit risk as 100% (2013: 81%) of the balances represented receivables from two major customers within the electronic products segment. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. The carrying amounts of trade receivables approximate their fair values.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 March	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**1,108**	731
Over 3 months	**–**	6
	1,108	737

12. Trade payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 March	
	2014	2013
	HK$'000	*HK$'000*
Within 1 to 2 months	**–**	48
Over 3 months	**16**	24
	16	72

Trade payables are non-interest-bearing and have a credit period of an average of two months. The carrying amounts of trade payables approximate their fair values.

13. Share capital

	As at 31 March	
	2014	2013
Authorised	***HK$'000***	*HK$'000*
– 60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid		
– 2,033,737,827 (2013: 677,912,609) ordinary shares of HK$0.01 each	**20,337**	6,779

On 19 September 2013, the Company issued and allotted 1,355,825,218 ordinary shares of HK$0.01 each to the qualifying shareholders pursuant to the rights issue on the basis of two rights shares for every share held by members on the register as at 27 August 2013 at a subscription price of HK$0.10 per share for a total gross cash consideration of HK$135,582,000 and the related issue expense was HK$5,030,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group for the year (the "Year") recorded revenue of HK$36.1 million, representing an increase of HK$21.1 million or 140.3% as compared the last corresponding year. The increase in revenue was mainly attributable to the realized gains on the disposal of listed securities of HK$26.0 million in the treasury investment segment. The net loss for the Year decreased by HK$9.9 million or 55.6% to HK$7.9 million as compared to the last corresponding year. It was mainly attributable to the fair value gains on the derivative component of convertible bonds of HK$10.3 million, the unrealized gains and realized gains on the listed securities were HK$31.4 million and HK$26.0 million respectively in the treasury investment segment.

According to the report published by the Technology Institute of PwC in September 2013, Mainland China's semiconductor consumption market grew by 8.7% in 2012 to reach a new record of 52.5% of the global market despite a 2.6% decrease in the worldwide consumption semiconductor market for the same year. The main reason for this exceptional growth was a result of Mainland China's dominant position in the production of smartphones and media tablets. Since 2001, Mainland China semiconductor consumption has grown at approximately 22.9% compounded annual growth rate (CAGR) while the total worldwide consumption has grown at a 6.9% CAGR.

Mainland China's semiconductor consumption market continues to grow significantly faster than the worldwide market as a result of two driving factors – the continuing transfer of worldwide electronic equipment production to Mainland China and the above-average semiconductor content of that equipment, the growth in Mainland China's semiconductor continues to outpace the rest of the world. In 2012, Mainland China's electronic equipment production increased by US$42 billion while the electronic equipment production in the rest of the world decreased marginally. Consequently, Mainland China's share of worldwide electronic equipment production increased by 2% to 34.2% and is forecasted to increase to more than 40% by 2017. In addition, the semiconductor content of Mainland China's equipment production was 26% in 2012 well above the 20% worldwide average. The market trend of mobile internet and open-sourced development have continued to have a great impact in guiding the future direction of the market.

The Group has principally engaged in the design, research and development on its proprietary System-on-chip (SoC) technology that enabled a wide range of applications for mobile computing, communications, and other electronic devices including consumer electronic products and home appliances. The core architecture in development is a Multi-Threaded Virtual Pipeline (MVP) on a scalable and programmable stream processor core, which is new core architecture for high computation performance based on multi-processing and parallel computing. ICube's MVP is an independently developed "China Core" featuring the versatility of a unified processor, combining the capabilities of a central processing unit (CPU) and graphics processing unit (GPU) in one solution for Mainland China's vast consumer electronics market. The Group's development of this new processing architecture has revolutionized mobile computing by unrolling its Harmony Unified Processor Technology, which contains an independent Instruction-Set-Architecture with optimized compiler, the MVP parallel computing core and dynamic load balancing with Agile Switching of simultaneously-multi-threading (SMT) threads.

During the Year, the Group continued to formulate a plan to roll out its MVP based SoC in a variety of applications. As a testament to our continued efforts in research and development of MVP based SoC, the Group continued to receive funds from reputable government organization to launch its Unified Processor Unit (UPU) technology on its self-developed SoC. Meanwhile, the Group has actively collaborated with several reputable electrical and home appliance manufacturers to develop smart touch control panel solutions, targeting the huge consumer electronics and home appliances market. These smart touch technology solutions under development is able to facilitate shifting the finger multi-touch functionality so common in the smartphone and tablet markets to the electrical appliances market. During the Year, a great deal of product design and engineering efforts have been made in the new products development, and the smart touch control panel was also undergoing qualifications for production and demo trials with potential customers.

Amid the slow economic recovery and weak customer sentiment in Europe and United States markets, the sales demand for electronic products in export market was generally slow and flat. Coupled with the intensified market competition and lower demand for the new smart phone models in the local retail market, the local sales orders for the electronic accessories declined dramatically. During the Year, the Group operated its electronic products trading business in a difficult trading environment. To react to this, the Group has placed more efforts in sourcing new higher-margin products and broadening the existing products range. For the Year, the sales revenue from the electronic products segment decreased by HK$6.5 million or 40.6% to HK$9.5 million. The operating loss for this segment for the Year decreased by HK$0.4 million or 8.7% to HK$4.0 million.

The Group continued to utilise its available funds in treasury investment. During the Year, the local stock market remained volatile and exhibited considerable fluctuation. Adversely affected by the US Federal Reserve's asset tapering discussion and the economic slowdown in Mainland China, The Hang Seng Index hit a bottom in June. With signs of gradual economic recovery in the United States and Europe and fiscal measures taken by US Federal Reserve and European Central Bank, the local stock market recovered lost ground and finished with almost same level with last year. The treasury investment segment recorded a realised gain on disposal of equity investments of HK$26.0 million and an unrealised gain on equity investments of HK$31.4 million for the Year.

Prospects

The worldwide tablet shipments totaled 217.1 million units in 2013 which is up from 144.2 million units in 2012, representing year over year growth rate of 50.6%. Worldwide tablets market, inclusive of both tablets and 2 in 1 devices, is forecast to grow 19.4% in 2014 to reach 260.9 million units and increase to 383.8 million units in 2018. It is expected that tablet shipments will exceed total PC shipments by 2015. Low-cost tablet devices will drive interest worldwide and fuel uptake amongst first buyers in commercial sectors.

For the year to come, the Group will continue its efforts in strengthening its MVP technology and expanding its applications to a wide array of products in semiconductor market particularly, the consumer electronic and home appliances sectors. Smart Home Electronic Devices is an emerging application sector in the semiconductor and information technology industry. The Group will strive to focus on developing applications of its MVP based SoC technology for the smart touch control solutions. More new products with smart touch control solution features will be launched in the pipeline. With the low cost, low-power consumption and higher performance in UPU technology, the Group is well-positioned to capitalize on growth opportunities in the emerging smart home electronics market.

Looking ahead, with the economies led by the US expected to see improvement and the Eurozone economy emerged from recession, the global economy is expected to recover and improve. However, the threat from the uncertain US monetary policies and the ultra-low interest environment remain the key factors dragging on global economic recovery. The broad macroeconomic challenge still persists, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.

Financial Review

The Group for the Year recorded revenue of HK$36.1 million, representing an increase of HK$21.1 million or 140.3% as compared to the last corresponding year. The Group's revenue principally comprised the sales of electronic products of HK$9.5 million and the realized gains on disposal of listed securities investment of HK$26.7 million from treasury investments. During the Year, the revenue from electronic products decreased by HK$6.5 million or 40.6% to HK$9.5 million.

The loss for the Year was HK$7.9 million, representing a decrease of HK$9.9 million or 55.6% as compared to last corresponding year. As at 31 March 2014, the Group's net asset value was HK$128.7 million compared to the consolidated asset deficiency of HK$3.3 million last year. The increase was mainly due to the net proceeds of approximately HK$130.6 million raised from the rights issue on the basis of two rights shares for every existing share during the Year. The total comprehensive loss for the Year was HK$6.5 million compared to the total comprehensive loss of HK$16.3 million last year.

Research costs for the Year came to HK$20.4 million, compared to HK$13.5 million last year. The research costs were utilized primarily in the development of the Group's MVP based product, IC1. Administrative expenses amounted to HK$41.5 million, representing an increase of HK$3.3 million or 8.7% compared with last year.

Liquidity and Financial Resources

During the Year, the Group generally financed its operation with internally generated cash flow, cash reserve and banking facilities. The Group's cash and bank balance as at 31 March 2014 were HK$83.2 million (31 March 2013: HK$30.7 million).

As at 31 March 2014, the Group had no bank overdrafts, short and long term interest-bearing bank borrowings (31 March 2013: Nil).

As at 31 March 2014, the Group's current ratio was 21.8 times (31 March 2013: 9.9 times) based on current assets of HK$279.5 million (31 March 2013: HK$132.3 million) and current liabilities of HK$12.8 million (31 March 2013: HK$13.4 million).

As at 31 March 2014, the Group did not have any significant commitment (31 March 2013: Nil). The Group also had no other contingent liabilities or material commitments.

Capital Structure

As at 31 March 2014, the Group's gearing ratio, being bonds and convertible bonds payable to net worth and bonds and convertible bonds payable was 54.3% (31 March 2013: 102.5%).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks the Group is exposed to are minimal.

On 25 June 2013, the Company entered an agreement with an underwriter for raising approximately HK$135.58 million before expenses by issuing 1,355,825,218 new shares to the qualifying shareholders by way of the rights issue at subscription price of HK$0.10 per right share on the basis of two rights shares for every share in issue on the record date. The net proceeds of approximately HK$130.6 million will be used as to 50% on the research and development on the Group's MVP based SoC products and 50% for the general working capital of the Group including 10% on the development of electronic products segment. Details of the above were disclosed in the Company's circular dated 29 July 2013 and prospectus dated 28 August 2013 respectively. Up to 31 March 2014, the use of net proceeds of approximately HK$60.8 million were utilized on research and development of MVP, electronic products segment and general working capital.

Significant Investments

As at 31 March 2014, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK$191.1 million. The related dividend income for the Year was HK$0.7 million.

Details of Charges on Assets

As at 31 March 2014, the Company had no charges on assets (31 March 2013: Nil).

Material Acquisitions and Disposals

During the Year, the Company had no material acquisition and disposal of subsidiaries and associate.

Employment, Training and Development

As at 31 March 2014, the Group had a total of 98 employees, of which 31 were based in Hong Kong and 67 were based in Mainland China. The Group is committed to staff training and development and structured training programmes for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the Year except that there is no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision A.2.1 of the CG Code. Mr. Wong Howard currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

Detailed disclosure of the Company's corporate governance practices is included in the annual report of the Company for the Year.

AUDIT COMMITTEE

The Audit Committee of the Company meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial reporting. The Audit Committee has met with the external auditors of the Company, Messrs Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 March 2014. The Audit Committee has also discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises the three independent non-executive directors of the Company, namely, Mr. Tung Tat Chiu, Michael (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Kwok Chi Kwong.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 March 2014 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTORS OF THE COMPANY

As at the date hereof, the Board comprises 2 executive directors namely, Mr. Wong Howard and Mr. Wong Yat Fai and 3 independent non-executive directors namely, Mr. Tung Tat Chiu, Michael, Mr. Li Chi Ming and Mr. Kwok Chi Kwong.

On behalf of the Board
ICube Technology Holdings Limited
Wong Howard
Chairman of the Board

Hong Kong, 19 June 2014

* *for identification purposes only*