ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8092)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this announcement.

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 (the "Board") of Directors 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 2006, together with the comparative audited figures for the previous year.

Consolidated Income Statement

	Notes	**2006** **HK$'000**	2005 HK$'000
Turnover	3 & 4	**65,725**	48,470
Cost of services rendered		**(52,177)**	(41,531)
Cost of goods sold		**(1,159)**	(1,321)
Gross profit		**12,389**	5,618
Other income		**602**	462
Administrative expenses		**(11,001)**	(20,960)
Profit/(loss) from operations	5	**1,990**	(14,880)
Finance costs		**(1,246)**	(729)
Profit/(loss) before taxation		**744**	(15,609)
Taxation	6	**(150)**	-
Profit/(loss) for the year attributable to shareholders of the Company		**594**	(15,609)
Earnings/(loss) per share	8		
Basic		**0.07 cent**	(1.72 cents)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

	Notes	**2006** **HK$'000**	2005 HK$'000
Non-current assets			
Fixed assets		**361**	662
Goodwill		**-**	-
Investment securities		**-**	2,250
Available-for-sale financial assets		**3,528**	-
		3,889	2,912
Current assets			
Trading securities		**-**	22
Financial assets at fair value through profit or loss		**22**	-
Inventories		**1,932**	2,060
Trade and other receivables	9	**9,825**	7,406
Deposits and prepayments		**682**	674
Pledged bank balances		**15,324**	13,595
Bank and cash balances		**160**	347
		27,945	24,104
Current liabilities			
Creditors and accrued charges	10	**12,666**	10,241
Short term borrowings		**11,134**	8,880
Current portion of long term secured bank loan		**-**	416
Provision for taxation		**8**	-
		23,808	19,537
Net current assets		**4,137**	4,567
Net assets		**8,026**	7,479
Capital and reserves			
Share capital		**9,075**	9,075
Reserves		**(1,049)**	(1,596)
Shareholders' funds		**8,026**	7,479

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Investment revaluation reserve	Accumulated losses	Total
		Reserves					
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2004	9,075	22,816	10,749	-	-	(19,552)	23,088
Loss for the year	-	-	-	-	-	(15,609)	(15,609)
Total recognised income and expense for the year	-	-	-	-	-	(15,609)	(15,609)
Balance at 31 March 2005 and at 1 April 2005	9,075	22,816	10,749	-	-	(35,161)	7,479
Exchange difference arising on translation of foreign operation	-	-	-	59	-	-	59
Decrease in fair value of available-for-sale financial assets	-	-	-	-	(106)	-	(106)
Net expense recognised directly in equity	-	-	-	59	(106)	-	(47)
Profit for the year	-	-	-	-	-	594	594
Total recognised income and expense for the year	-	-	-	59	(106)	594	547
Balance at 31 March 2006	9,075	22,816	10,749	59	(106)	(34,567)	8,026

Notes:

1. Basis of preparation of financial statements

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies.

2. Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years except as stated below.

Financial instruments

The adoption of HKAS 32 Financial Instruments: Presentation and HKAS 39 Financial Instruments: Recognition and Measurement has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 Accounting for Investments in Securities to investments in securities for the 2005 comparative information. The adjustments required for the accounting differences between previous SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

The adoption of HKAS 32 and 39 resulted in changes in the amounts reported in the financial statements as follows:

	2006	2005
	HK$'000	HK$'000
Increase in available-for-sale financial assets	**2,250**	-
Decrease in investment securities	**2,250**	-
Increase in financial assets at fair value through profit or loss	**22**	-
Decrease in trading securities	**22**	-

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

3. Turnover

The amount of each significant category of turnover recognised during the year is as follows:

	2006	2005
	HK$'000	HK$'000
Turnover		
Provision of smartcard systems, RFID and information technology services		
- Service revenue	**22,505**	5,355
- Income from maintenance services	**3,492**	2,443
- Sales of service related products	**2,045**	2,045
	28,042	9,843
Consultancy fee income	**37,683**	38,541
Service revenue from provision of electrical and mechanical installation work	**-**	86
	65,725	48,470

4. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segments information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:

Smartcard systems, RFID and information technology services	:	The provision of smartcard systems, RFID and information technology services
Consultancy services	:	The provision of information technology consultancy services
Electrical and mechanical installation	:	The provision of electrical and mechanical installation work

	Smartcard systems, RFID and information technology services		Consultancy services		Electrical and mechanical installation		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER								
Sales to external customers	**28,043**	9,842	**37,682**	38,542	**-**	86	**65,725**	48,470
RESULTS								
Segment results	**(280)**	(7,592)	**4,898**	3,661	**(55)**	(716)	**4,563**	(4,647)
Unallocated corporate revenue							**602**	462
Unallocated corporate expenses							**(3,175)**	(10,695)
Profit/(loss) from operations							**1,990**	(14,880)
Finance costs							**(1,246)**	(729)
Profit/(loss) before taxation							**744**	(15,609)
Taxation							**(150)**	-
Profit/(loss) for the year							**594**	(15,609)
ASSETS								
Segment assets	**19,306**	17,799	**11,961**	7,849	**11**	844	**31,278**	26,492
Unallocated corporate assets							**556**	524
Consolidated total assets							**31,834**	27,016
LIABILITIES								
Segment liabilities	**4,976**	7,442	**5,823**	7,797	**72**	446	**10,871**	15,685
Unallocated corporate liabilities							**12,937**	3,852
Consolidated total liabilities							**23,808**	19,537
OTHER INFORMATION								
Capital expenditure	**179**	76	**2**	45	**-**	-	**181**	121
Depreciation and amortisation	**356**	505	**120**	151	**-**	-	**476**	656
Unallocated depreciation and amortisation							**-**	980
Impairment loss	**241**	234	**-**	-	**-**	-	**241**	234
Unallocated impairment loss							**-**	6,339
Provision for inventories	**-**	280	**-**	-	**-**	-	**-**	280
Non-cash expenses other than depreciation, amortisation and impairment loss	**-**	-	**-**	173	**-**	-	**-**	173

(b) Geographical segments

The Group participates principally in Hong Kong, the People's Republic of China ("PRC") and Macau.

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Macau		The PRC		Other locations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**51,980**	46,284	**12,879**	1,286	**705**	887	**161**	13	**65,725**	48,470
Segment assets	**29,297**	23,860	**105**	15	**2,432**	3,141	-	-	**31,834**	27,016
Capital expenditure incurred during the year	**168**	116	-	-	**13**	5	-	-	**181**	121

5. Profit/(loss) from operations

Profit/(loss) from operations is arrived at after charging/(crediting):

	2006	2005
	HK$'000	HK$'000
Exchange (gain)/loss	**(121)**	16
Gain on disposals of trading securities	**-**	(33)
Net unrealised loss on trading securities carried at fair value	**-**	10
Net unrealised gain on financial assets at fair value through profit or loss	**(1)**	-
Loss on disposal of fixed assets	**3**	113
Amortisation of goodwill	**-**	951
Auditors' remuneration	**340**	335
Cost of inventories	**9,714**	3,113
Depreciation	**476**	685
Development expenses	**284**	278
Impairment loss on goodwill	**-**	6,339
Impairment loss on investment securities	**-**	234
Impairment loss on available-for-sale financial assets	**241**	-
Operation lease rentals for properties	**1,044**	1,173
Allowances for obsolete inventories	**-**	280
Allowances for doubtful debts	**-**	173
Staff costs including directors' emoluments and retirement benefit scheme contributions	**45,105**	47,195

Note: Cost of inventories includes allowances for obsolete inventories of approximately HK$Nil (2005: HK$280,000) which is included in the amount disclosed separately above for the year.

6. Taxation

(a) The amount of taxation in the consolidated income statement represents:

	2006	2005
	HK$'000	HK$'000
Hong Kong profits tax	**150**	-

Hong Kong profits tax is provided at 17.5% (2005: 17.5%) based on the assessable profit for the year.

No provision for PRC income tax has been made in the financial statements as the Group does not have any assessable profits for taxation purpose during the year in the PRC.

(b) The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rate of the Group as follows:

	2006	2005
	HK$'000	HK$'000
Profit/(loss) before taxation	**744**	(15,609)
Tax at the applicable tax rate (17.5%)	**130**	(2,732)
Tax effect of temporary difference	**24**	57
Tax effect of income that is not taxable in determining taxable profit	**(9)**	-
Tax effect of expenses that are not deductible in determining taxable profit	**58**	1,414
Tax effect of unused tax losses not recognised	**259**	1,804
Tax effect of prior year's tax losses utilised this year	**(354)**	(543)
Over-provision for the year	**42**	-
Taxation charges	**150**	-

The applicable tax rate represents the Hong Kong profits tax rate prevailing in the relevant jurisdictions in which the Group operates.

(c) Deferred tax assets are not recognised for temporary differences and tax losses carried forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The tax effect on temporary differences and unrecognised tax losses was approximately HK$8,033,000 (2005: HK$8,526,000) as at 31 March 2006.

7. Dividend

No interim dividend (2005: HK$Nil) was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 31 March 2006 (2005: HK$Nil).

8. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of approximately HK$594,000 (2005: loss attributable to shareholders of approximately HK$15,609,000) and the weighted average of 907,536,000 ordinary shares (2005: 907,536,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the year as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2006 and 2005.

9. Trade and other receivables

	2006	2005
	HK$'000	HK$'000
Trade receivables	**4,748**	4,621
Other receivables	**415**	501
Gross amount due from customers for service contract work	**4,395**	1,980
Retention money receivables	**267**	304
	9,825	7,406

The Group has a policy of allowing its trade customers with credit period normally between 30 to 60 days or terms in accordance with contracts. The ageing analysis, based on invoice date, is as follows:

	2006	2005
	HK$'000	HK$'000
Within 1 month	**3,191**	2,552
1 month to 3 months	**1,023**	1,116
More than 3 months but less than 12 months	**490**	744
More than 1 year but less than 2 years	**37**	209
More than 2 years	**7**	-
	4,748	4,621

10. Creditors and accrued charges

	2006	2005
	HK$'000	HK$'000
Trade payables	**2,297**	844
Accrued charges and other payables	**8,034**	6,486
Other borrowings	**975**	-
Gross amount due to customers for service contract work	**611**	1,856
Deferred maintenance income	**735**	727
Retention money payables	**14**	328
	12,666	10,241

Included in creditors and accrued charges are trade payables with the following ageing analysis:

	2006	2005
	HK$'000	HK$'000
Within 1 month	**469**	270
1 month to 3 months	**928**	206
More than 3 months but less than 12 months	**832**	207
More than 1 year but less than 2 years	**8**	5
More than 2 years	**60**	156
	2,297	844

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Marketing and Operation

The Group continued to devoted effort and time to develop and expand our solutions, services and products line for targeted clients. Sales in the campus and real estates sectors have remained stable, while public sector has been boosted with more government departments as clients and users of smartcard.

During the year, we had the Hong Kong Country Club and the Macau Wynn Resort joining our commercial client list, ITE Smartcard Solutions Limited (“ITES”) provided for them automated vehicle management system and card management system. We also engaged for the first time an automatic fare control (“AFC”) system integration services for the newest and biggest park in Hong Kong, the Hong Kong Wetland Park (“HKWP”). ITES provided hardware, software and related services for the AFC system integration, which includes visitor clearance gates, automatic ticketing vending machines and point of sales stations inside HKWP. We were proud to co-operate with Wetland Park for taking part in keeping a conservation park running smoothly.

Extensive marketing activities for the automated passenger management system were conducted, ITES has tendered and offered for a number of bids across the world included two sizeable projects in the Middle East and Asia. The results should be announced in the next quarter.

During the year, our subsidiary, Quesco Systems Limited (“QSL”), won the new T21 contract for the Provision of Information Technology (“IT”) Contract Staff Services of the Government of Hong Kong Special Administration Region (“HKSAR”) and the contract for the Hong Kong Hospital Authority. QSL also expanded the recruitment services to overseas clients, with a number of IT contractor staffs referred to our client in the Middle East. Besides, for the first time QSL seconded a banking executive to our client in the United Kingdom.

In constant pursuit of quality excellence, we continued to improve the professionalism of our workforce and developed specialists through training and maintenance of our quality assurance system under the ISO 9001:2000 schemes of various subsidiaries.

Research and Development

During the year, ITE has one patent, Smart Key Management System (“SKMS”), successfully granted by the State Intellectual Property Office of P.R.C. on 28th December 2005 under Grant No. ZL 02 1 36385.4 (International Classification No. E05B 19/00).

Our new design of Pre-fabricated Core Structure of Automated Passenger Management System with Passenger Height Detection Sensor Mechanism were also filed to and granted by the Intellectual Property Department of the Government of the HKSAR and European Union's Registered Community Design. Design registration in the United States of America was made also.

ITE invents and develops lots of cutting edge products and solutions every year. To strengthen our activities in invention and execute intellectual property rights and knowledge capital strategy, ITE established our Intellectual Property Rights Centre ("IPRC") in March this year. Besides better managing our knowledge as well as treasuring our experience, IPRC is an important driving unit to boost potentiality of our products and services in the market. We have well-scheduled, concrete plans and strategies for the IPRC that benefits our Group of companies through proper allocation and focus of our resources in IPR matters.

ITE devotes in protecting our own Intellectual Property Rights ("IPRs") and respecting IPRs of others. We have been carrying out such since the establishment of our company. Till now, we have numbers of trademarks, registered designs, granted and pending patents. We believe the effort of our staffs should be treasured and sheltered to sustain our future competitiveness, and the respect of IPRs is essential in building a level playing ground in our society.

Social Responsibility

During the year, the Group has continued to execute our citizenship through the active participation in social services. We also encouraged our staffs to take part in sports activities so as to keep healthy life. Eight of our staffs put on their running shoes to take part in the Standard Chartered Hong Kong Marathon 2006 and successfully completed the Marathon, setting record time and record number of participants in ITE's history.

Along with the existing provisions of workplace attachment training for the Youth Pre-employment Training Programme of the Labour Department and the Business Internship Practice Scheme of the City University of Hong Kong, the Group has confirmed to support the Work Study Programme of the Chinese University of Hong Kong and the Industrial Placement Programme of the Hong Kong Polytechnic University in the financial year 2006/07.

Future Prospect

Looking forward, the outlook for the Group is very positive. After this year's profit recovery, we are optimistic that the financial year 2006/07 will also be profitable with positive cash flow and dividend paid-out capability. On top of the profitability improvement, the Directors will continue to maintain steady and sustainable growth of business in both Hong Kong and the PRC. We also expect that in the financial year 2006/07 another milestone of ITE will be established, namely to go overseas and generate new revenue stream and profit.

Financial Performance

For the year ended 31 March 2006, the Group recorded a total revenue of approximately HK$65.7 million, representing an increase of 36% over last year. Profit for the year attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$0.59 million as compared to a loss of approximately HK$15.61 million for the last year.

Segmental Information

During the year, the Group recorded an increase in turnover for about 36% when compared with last year. The Group's gross profit margin was improved for about 63% from 12% in last year to 19% in current year.

During the year, the Group continued to concentrate its resources on its core business development, i.e. to provide the smartcard systems, RFID and information technology services. The significant increase in the overall turnover was almost from the provision of smartcard systems, RFID and information technology services. The service revenue generated from this segment increased significantly for 320% to HK$22.5 million (2005: HK$5.4 million). With the effort of Research and Development ("R&D") investments and marketing activities taken in previous years, few sizeable projects was awarded and completed in current year.

Besides, within the same segment, the maintenance income increased for 43% to HK$3.5 million (2005: HK$2.4 million). With the accumulated projects completed in previous years, the associated maintenance and service income increased generally. It is expected that this revenue stream will increase generally in the near future.

For consultancy service segment, the turnover was maintained with only 2% drop when compared with last year. In spite of slightly drop in turnover, the profit margin had been improved from 9% to nearly 13%.

The Group's administrative expenses had significant decrease for approximately 48%. The decrease was mainly due to the impairment loss on goodwill amounted to HK$6.3 million in last year. Excluded the said impairment loss on goodwill, the administrative expenses would be HK$14.6 million which still represented a drop of 25% when compared with that of current year. With our continual cost restructure and stringent cost control, our overall general and administrative expenses decreased during the year.

The finance costs increased by 71% to approximately HK$1.2 million for the year (2005: HK$0.7 million) as a result of increases in interest rates and borrowings.

Liquidity, Financial Resources and Treasury Policies

The Group generally financed its operations with its internally generated cash flows and bank borrowings. As at 31 March 2006, the Group had outstanding borrowings of HK$11.1 million, comprising secured bank loans of HK$5.4 million and bank overdrafts of HK$5.7 million. As at 31 March 2006, the current ratio of the Group was 1.17 (2005: 1.23) while the liquidity ratio was 1.09 (2005: 1.13)

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

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

Significant Investments

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

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

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

Employment Information

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

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

As at 31 March 2006, the Group had 191 full-time employees (2005: 160 full-time employees), of which 174 are based in Hong Kong and the rest are in the PRC. Staff costs, including directors' emoluments, were approximately HK$45.1 million for the year ended 31 March 2006 (2005: approximately HK$47.2 million). During the year, the Company has not granted any share option to any of its Directors and employees.

Charges on Group Assets

As at 31 March 2006, time deposits of HK$15.3 million (2005: HK$13.6 million) and available-for-sale financial assets of HK$1.5 million (2005: HK$Nil) were pledged to banks to secure certain banking facilities of the Group.

Future Plans for Material Investments

The Group did not have any plans for material investment and acquisition of material capital assets as at 31 March 2006.

Gearing Ratio

At 31 March 2006, the gearing ratio of the Group, which is calculated as the ratio of total secured bank loans due after one year to shareholders' funds, was HK$Nil (2005: HK$Nil).

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's assets, liabilities, revenues and expenses are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The exchange rate between Hong Kong dollars, United States dollars and Renminbi has been very steady for the past few years. During the year, the Group generally used the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. They are denominated in the local currency of the place in which the subsidiaries operate. The Group does not currently engage in hedging to manage possible exchange rate risk as the Group considers the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the possible exposure to exchange rate risk and will take such measures as it deems prudent.

Contingent Liability

At 31 March 2006, the Company has undertaken to guarantee certain banking facilities granted to two wholly-owned subsidiaries to the extent of HK$19 million (2005: HK$15.6 million).

At 31 March 2006, the Group did not have any significant contingent liabilities (2005: HK$Nil).

SHARE OPTION SCHEME

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

(a) Pre-IPO Scheme and Post-IPO Scheme

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

Name or category of participant	Number of share options: Outstanding at 1 April 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2006	Date granted	Period during which options exercisable	Price per share to be paid on exercise of options	Market value per share at date of grant of Options
Pre-IPO Scheme									
Lau Hon Kwong, Vincent /Director	6,109,440	-	-	-	6,109,440	12 February 2001	21 August 2001 to 11 February 2011	$0.095	N/A
George Roger Manho /Director	4,000,000	-	-	-	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	$0.095	N/A
Cheng Kwok Hung /Director	4,000,000	-	-	-	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	$0.095	N/A
Liu Hoi Wah /Director	19,112,640	-	-	-	19,112,640	12 February 2001	21 August 2001 to 11 February 2011	$0.095	N/A
Lee Peng Fei, Allen /Director	1,760,000	-	-	-	1,760,000	12 February 2001	21 August 2001 to 11 February 2011	$0.095	N/A
Employees	35,157,920	-	-	-	35,157,920	12 February 2001	21 August 2001 to 11 February 2011	$0.095	N/A
	70,140,000	-	-	-	70,140,000				
Post-IPO Scheme									
Employees	2,000,000	-	-	-	2,000,000	28 December 2001	1 July 2004 to 31 December 2011	$0.195	$0.195
	2,000,000	-	-	-	2,000,000				

(b) 2002 Scheme

The Company operates the 2002 Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2002 Scheme include the 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 2002 Scheme became effective on 8 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue. The maximum number of shares issuable under share options to each eligible participant in the 2002 Scheme and any other share option schemes of the Company within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share option granted to a director, chief executive or a substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the 2002 Scheme, if earlier.

The exercise price of the share option is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the date of the offer of the share options; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

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

	Number of share options								
Name or category of participant	Outstanding at 1 April 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2006	Date granted	Period during which options exercisable	Price per share to be paid on exercise of options	Market value per share at date of grant of options
Employees	3,500,000	-	-	-	3,500,000	9 August 2002	9 August 2003 to 8 August 2012	$0.175	$0.175
An Employee	6,400,000	-	-	-	6,400,000	9 August 2002	9 February 2003 to 8 August 2012	$0.175	$0.175
	9,900,000	-	-	-	9,900,000				

At 31 March 2006, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO scheme and the 2002 Scheme was 70,140,000, 2,000,000 and 9,900,000, respectively.

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

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

COMPETING INTERESTS

As at 31 March 2006, the directors were not aware of any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such persons have or may have with the Group.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee which comprises three independent non-executive Directors, Dr. Lee Peng Fei, Allen, Mr. Tsao Kwang Yung, Peter and Mr. Kam Hau Choi, Anthony, and an executive Director, Mr. Liu Hoi Wah. Dr. Lee Peng Fei, Allen was appointed as chairman of the audit committee. Following the death of Mr. Tsao Kwang Yung, Peter, Mr. Tang Siu, Henry was appointed as a non-executive director on 5 September 2005 and has served in the audit committee.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets at least four times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The terms of reference of the audit committee was revised on 8 December 2005 to bring it in line with the code provisions as set out in the Code. The principal terms 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 2006 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 applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2006, save for the deviations discussed below.

Under the code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

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

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

Under the present Articles of Association of the Company, Mr. Lau Hon Kwong, Vincent, being Chairman and Chief Executive Officer of the Company, is not subject to retirement by rotation. This is not in compliance with the Code requirement that every director must retire by rotation once every three years.

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

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2006. 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 2006.

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

Hong Kong, 23 June 2006

The Board as of the date of this announcement comprises Mr. Lau Hon Kwong, Vincent, Mr. George Roger Manho, Mr. Cheng Kwok Hung and Mr. Liu Hoi Wah as executive directors, Dr. Lee Peng Fei, Allen, Mr. Tang Siu, Henry and Mr. Kam Hau Choi, Anthony as independent non-executive directors.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at www.hkite.com.