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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in ITE (Holdings) Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 the contents of this circular.

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**ITE (HOLDINGS) LIMITED**

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

**(Stock Code: 8092)**

**DISCLOSEABLE TRANSACTION****DISPOSAL OF 5% EQUITY INTEREST IN SHANGHAI YANHUA**

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This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for 7 days from the date of its posting and on the website of the Company at [www.hkite.com](http://www.hkite.com).

31 July 2006

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## CHARACTERISTICS OF GEM

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**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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Agreement”	the sales and purchase agreement dated 27 June 2006 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	ITE (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Consideration”	consideration of the Disposal in the sum of RMB3,900,000
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of 5% equity interest in Shanghai Yanhua
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Latest Practicable Date”	28 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China
“Purchaser”	Mr. Hu Li Ming
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Shanghai Yanhua”	Shanghai Yanhua Smartech Company Limited 上海延華智能科技有限公司, a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	ITE (China) Limited, a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company

*Unless otherwise stated, amounts in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 to RMB1.03 for illustration purpose only.*

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## LETTER FROM THE BOARD

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### ITE (HOLDINGS) LIMITED

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

**(Stock Code: 8092)**

**Directors:**

***Executive Directors:***

Lau Hon Kwong, Vincent (*Chairman*)

George Roger Manho

Cheng Kwok Hung

Liu Hoi Wah

***Independent non-executive Directors:***

Lee Peng Fei, Allen

Tang Siu, Henry

Kam Hau Choi, Anthony

**Registered Office:**

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

**Head Office and**

**Principal Place of Business:**

Units 1717-20, Level 17, Tower I

Grand Century Place

193 Prince Edward Road West

Mongkok, Kowloon

Hong Kong

31 July 2006

*To the Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF 5% EQUITY INTEREST IN SHANGHAI YANHUA**

#### **INTRODUCTION**

On 14 July 2006, the Board announced that ITE (China) Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with Mr. Hu Li Ming pursuant to which Mr. Hu agreed to acquire 5% equity interest in Shanghai Yanhua from ITE (China) Limited at a cash consideration of RMB3,900,000 (equivalent to approximately HK\$3,800,000).

The entering of the Agreement constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The purpose of this circular is therefore to provide you with further information relating to the Agreement and with other information as required under the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### AGREEMENT DATED 27 JUNE 2006

#### Parties

Vendor : ITE (China) Limited, a wholly-owned subsidiary of the Company

Purchaser : Mr. Hu Li Ming

The Directors confirmed that the Purchaser is an Independent Third Party. To the best of the Directors' knowledge, information and belief of the Directors, and having made all reasonable enquiries as at the date of this announcement, the Purchaser is an Independent Third Party.

#### Assets sold

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire 5% equity interest in Shanghai Yanhua at a cash consideration of RMB3,900,000 (equivalent to approximately HK\$3,800,000). The Group will not have any interest in Shanghai Yanhua after the Disposal.

#### CONSIDERATION

The Consideration was arrived at after arm's length negotiation and determined on normal commercial terms and with reference to the net assets value and is considered by the directors of the Company to be fair and reasonable and in the best interests of the Company.

The turnover of Shanghai Yanhua for the years ended 31 December 2004 and 31 December 2005 are approximately RMB90 million and RMB118 million (equivalent to approximately HK\$87 million and HK\$115 million) respectively. The net profits before taxation and extraordinary items of Shanghai Yanhua for the years ended 31 December 2004 and 31 December 2005 are approximately RMB16 million and RMB20 million (equivalent to approximately HK\$15.5 million and HK\$19.4 million) respectively. The net profits after taxation and extraordinary items of Shanghai Yanhua for the years ended 31 December 2004 and 31 December 2005 are approximately RMB13 million and RMB17 million (equivalent to approximately HK\$12.6 million and HK\$16.5 million) respectively.

At 31 December 2005, the net assets of Shanghai Yanhua was approximately RMB38 million (equivalent to approximately HK\$36.9 million). Based on the 5% share of the net assets of approximately RMB1.9 million (equivalent to approximately HK\$1.8 million), the Disposal was at a premium of approximately RMB2 million (equivalent to approximately HK\$1.9 million).

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## LETTER FROM THE BOARD

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The total assets and the net assets of Shanghai Yanhua as at 31 December 2005 amounted to approximately RMB88 million (equivalent to approximately HK\$85 million) and RMB38 million (equivalent to approximately HK\$36.9 million) respectively.

For the period from 1 January 2006 up till 31 March 2006, the net profits before taxation and extraordinary items of Shanghai Yanhua amounted to approximately RMB0.9 million (equivalent to approximately HK\$0.87 million).

### COMPLETION

Completion is conditional on and subject to the full settlement of the cash consideration of RMB3,900,000.

ITE (China) Limited acquired the said 5% equity interest of Shanghai Yanhua at RMB3,000,000 in August 2002. The 5% equity interest of Shanghai Yanhua was treated as available-for-sale financial assets with carrying value of HK\$2,074,029 in the annual report of the Company for the year ended 31 March 2006. The gain on the Disposal will be the difference between the Consideration and the carrying amount of 5% equity interest of Shanghai Yanhua and will be recognized in the income statement. Therefore, the Group expects to gain approximately HK\$1.8 million on the Disposal. The Directors consider that the Disposal has no material effect on the assets and liabilities of the Company. The proceeds received by the Group may be applied as general working capital depending on its working capital requirement from time to time.

### INFORMATION OF THE GROUP AND SHANGHAI YANHUA AND MR. HU

ITE (China) Limited is a wholly-owned subsidiary of the Company. The principal activities of the Group are the provision of smartcard systems, radio frequency identification, biometrics solutions and information technology services.

The principal activities of Shanghai Yanhua covers implementation of home intelligent system of real estates, design, install and maintenance of public security system, building automation system and computer and network system integration.

Mr. Hu Li Ming is an Independent Third Party.

### REASON FOR DISPOSAL

The Directors consider that through the disposal of 5% equity interest in Shanghai Yanhua will allow the Group to focus on the provision of smartcard systems, radio frequency identification, biometrics solutions and information technology services and to provide further financial resources to the Group for general working capital.



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## LETTER FROM THE BOARD

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### GENERAL

The Disposal constitutes a discloseable transaction under Chapter 19 of GEM Listing Rules.

Your attention is drawn to the general information as set out in the appendix to this circular.

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

## 1. RESPONSIBILITY STATEMENT

The circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 document is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at Latest Practicable Date, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

### (i) Interests in shares of the Company

Name of Director	Number of ordinary shares					Percentage of issued share capital
	Personal interests	Corporate interests	Family interests	Other interests	Total	
Mr. Lau Hon Kwong, Vincent	–	456,250,348 (L) (Note 2)	–	–	456,250,348 (L)	50.27%
Mr. George Roger Manho	83,142,254 (L)	–	–	–	83,142,254 (L)	9.16%
Mr. Cheng Kwok Hung	–	456,250,348 (L) (Note 2)	–	–	456,250,348 (L)	50.27%
Mr. Tsao Kwang Yung, Peter (deceased)	100,000 (L)	–	–	–	100,000 (L)	0.01%

*Notes:*

1. The letter “L” denotes a long position in the shares.
2. These shares are beneficially owned by Rax-Comm (BVI) Limited (“Rax-Comm”), a company incorporated in the British Virgin Islands. Mr. Lau Hon Kwong, Vincent and Mr. Cheng Kwok Hung held 46.21% and 36.11% of the entire issued share capital of Rax-Comm, respectively.

**(ii) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares**

As at Latest Practicable Date, the directors had the following personal interests in options to subscribe for shares of the Company granted at HK\$1 under a share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

<u>Name of Director</u>	<u>Number of options outstanding at 28 July 2006</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Price per share to be paid on exercise of options</u>
Mr. Lau Hon Kwong, Vincent	6,109,440 (L)	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095
Mr. George Roger Manho	4,000,000 (L)	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095
Mr. Cheng Kwok Hung	4,000,000 (L)	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095
Mr. Liu Hoi Wah	19,112,640 (L)	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095
Dr. Lee Peng Fei, Allen	1,760,000 (L)	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095

*Note:* The letter “L” denotes a long position in the shares.

## (iii) Aggregate interest in the shares and underlying shares of the Company

Name of Director	Aggregate number in ordinary shares	Aggregate number in underlying shares	Total	Percentage to the issued share capital of the Company
Mr. Lau Hon Kwong, Vincent	456,250,348 (L)	6,109,440 (L)	462,359,788 (L)	50.95%
Mr. George Roger Manho	83,142,254 (L)	4,000,000 (L)	87,142,254 (L)	9.60%
Mr. Cheng Kwok Hung	456,250,348 (L)	4,000,000 (L)	460,250,348 (L)	50.71%
Mr. Liu Hoi Wah	–	19,112,640 (L)	19,112,640 (L)	2.11%
Dr. Lee Peng Fei, Allen	–	1,760,000 (L)	1,760,000 (L)	0.19%
Mr. Tsao Kwang Yung, Peter (deceased)	100,000 (L)	–	100,000 (L)	0.01%

*Note:* The letter “L” denotes a long position in the shares.

Save as disclosed above, as at Latest Practicable Date, none of the directors, chief executive of the Company or their associates had any interests in the shares or debentures of, or short positions in the shares of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

### 3. DIRECTORS’ AND CHIEF EXECUTIVE’S RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations”, as at Latest Practicable Date, neither the Company, holding company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

#### 4. SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at Latest Practicable Date, the Company had been notified of the following interests, being 5% or more of the issued share capital of the Company:

<u>Name of Shareholders</u>	<u>Ordinary shares held</u>	<u>Percentage of total issued shares</u>
Rax-Comm (BVI) Limited ( <i>Note 1</i> )	456,250,348	50.27%
Mr. George Roger Manho ( <i>Note 2</i> )	83,142,254	9.16%
Mr. Man Kai Shun	47,701,000	5.26%

*Notes:*

1. These shares have been disclosed as the corporate interests of the relevant directors in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations".
2. These shares have been disclosed as the personal interests of the director in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations".

#### 5. DIRECTORS' SERVICE CONTRACTS

Mr. Lau Hon Kwong, Vincent, Mr. Cheng Kwok Hung and Mr. Liu Hoi Wah have entered into service contracts with the Company on 1 April 2006 for an initial fixed term of one year commencing from 1 April 2006 which will continue thereafter until terminated by three months' notice in writing served by either party on the other.

Mr. George Roger Manho has entered into a service contract with the Company on 23 December 2005 for an initial fixed term of one year commencing from 1 January 2006 which will continue thereafter until terminated by three months' notice in writing served by either party on the other.

Except for the above, none of the directors proposed for re-election at the forthcoming annual general meeting has service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

#### 6. COMPETING INTERESTS

As at Latest Practicable Date, 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.

## 7. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 8. GENERAL

- (a) The registered address of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The branch share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (b) The compliance officer of the company is Mr Lau Hon Kwong, Vincent. Mr Lau is the Executive Director, Chief Executive Officer and one of the founders of the Group. He is responsible for overall strategic planning and management of the Group. With over 19 years of experience in the executive management. Mr. Lau was engaged in China trade before founding the Group. He graduated from The University of Hong Kong with a first class honours Degree of Bachelor of Science in Mechanical Engineering.
- (c) The qualified accountant and company secretary of the Company is Mr. Liu Hoi Wah, who is an associate member of each of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA").
- (d) As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee which comprise three independent non-executive Directors, Dr. Lee Peng Fei, Allen, Mr. Kam Hau Choi, Anthony and Mr Tang Siu, and an executive Director, Mr. Liu Hoi Wah. 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.

Dr. Lee Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 66, holds an honorary doctoral degree in engineering from the Hong Kong Polytechnic University and an honorary doctoral in laws from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991.

Mr. Kam Hau Choi, Anthony, aged 40, is the proprietor of a Certified Public Accountant firm in Hong Kong. Mr. Kam holds a Bachelor of Laws degree from the University of Wolverhampton, the United Kingdom, and a Bachelor of Science degree from the University of Hong Kong. Mr. Kam has over 17 years experience in auditing, accounting and tax matters, both in private and public companies.

Mr. Tang Siu, Henry, QFSM, CPM, aged 61, is currently a Registered Chinese Medicine Practitioner (Full Subjects), a director of a private company, the Principal Consultant of Hong Kong Fire Services Staff General Association, the Life and First President of the Hong Kong Professional Institute of Chinese Medicine Medicated Meal & Food, a Consultant & member of Hong Kong Registered Chinese Medicine Practitioners Association, the Deputy Commission of the Friends of Scouting and a member of the Chartered Institute of Arbitrators (East Asia Branch).

- (e) Save as disclosed in this circular:
  - (i) none of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2006, the date to which the latest published audited financial results of the Company were made up, to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and
  - (ii) none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (f) The English text of this circular shall prevail over the Chinese text.