



## **ITE (HOLDINGS) LIMITED**

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

**(Stock Code: 8092)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

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.

*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 (“ITE” or 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.*

## **HIGHLIGHTS**

Turnover of the Group for the six months ended 30 September 2006 was approximately HK\$32,021,000 representing a slightly decrease of approximately 2% over the turnover of approximately HK\$32,696,000 for the same period in 2005.

Profit attributable to shareholders of the Company for the six months ended 30 September 2006 amounted to approximately HK\$2,063,000 compared to that of approximately HK\$505,000 for the same period in 2005.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I hereby present the unaudited interim consolidated results for ITE and its subsidiaries (together, the "Group") for the six months ended 30 September 2006 (the "Period").

### **Mission**

The mission of the Group is to become the leading smartcard, radio frequency identification ("RFID") and biometrics solution provider and system integrator in the world. ITE has been pioneering smartcard system solutions and integration and has been performing outstandingly in Hong Kong Special Administrative Region ("Hong Kong" or "HKSAR"), the Macau Special Administrative Region ("Macau") and the People's Republic of China ("PRC"). With profound expertise, strong research and development ("R&D") capability, proven track record and excellent reputation in the industry, the Group has established a leading profile in the industry and has taken a proactive approach to introduce innovative and customized smartcard, RFID and biometrics applications to our clients. Leveraging on our extensive industry experience, ITE is developing sophisticated products and multi-applications solutions for clients from many industries and expanding our business activities to overseas countries.

### **Appreciation**

I would like to take this opportunity to express my deepest thanks to my directors, management and staff for their dedication and hard work, and shareholders, financiers and business partners for their continued support.

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

Hong Kong, 10 November 2006

## **BUSINESS REVIEW**

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

The Board is pleased to announce that the disposal of 5% equity interest in Shanghai Yanhua Smartech Company Limited (“Shanghai Yanhua”) was completed with the sales proceed received during the Period. On 27 June 2006, ITE (China) Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with Mr. Hu Li Ming (“Mr. Hu”) 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.

The 5% equity interest in Shanghai Yanhua was treated as available-for-sale financial assets with carrying amount of HK\$2,074,029 in the annual report of the Company for the year ended 31 March 2006. The Directors considered that the terms and conditions of the disposal were fair and reasonable and were in the best interest of the Group and the shareholders of the Company taken as a whole. The proceeds received by the Group will be applied as general working capital depending on our working capital requirement from time to time.

### **Marketing and Sales**

Our subsidiary, RF Tech Limited (“RFT”), is proud to announce that our product is spreading around the worldwide market and being used for international government event.

The Business Advisory Council of Asia-Pacific Economic Cooperation (APEC) had held its 3rd meeting and Tenth Anniversary Conference (“Conference”) in Cebu, Philippines on 12-15 August 2006. Guests and businessmen from various parts of the world gathered together for the Conference. During the Conference, the Optical Turnstile Pole of RFT was taken an important security role to authenticate guests' identity before they accessed to the venue.

The project was primed and delivered by our system integration partner in Philippines, which carries and resells RFT's product lines. Working with the same partner, RFT is negotiating for more product sales for a more important international event in Philippines, namely the ASEAN SUMMIT.

Further to the successful export of product by RFT, our subsidiary, ITE Smartcard Solutions Limited (“ITES”), has provided and put in operation a prototype of Automated Passenger Clearance System for an overseas country to develop her traveller biometrics border control system.

Within the local market, with the completion of card management and passage management systems to Caritas Francis Hsu College (“College”), ITES is also pleased to render Card Personalization Service for this new client. Hundreds of smartcards have been personalized and delivered to the College during the semester starts. Effective and efficient campus management of Caritas will be ensured with personalized campus smartcards.

According to clients' every special requirement, we are able to offer best solutions and services to fulfill their needs. With this advantage, ITE is winning and aheading our reputation and standing in the campus sector in Hong Kong and Macau.

## **Research and Development**

To better reflect the core business and technology nature of our product arm, RF Tech Limited, a new mission statement was defined. RFT is an advanced information technology company specializing in the innovative design and delivery of products which build on core technologies of smartcard, radio frequency identification (RFID), biometrics, computer vision and wireless serving the application needs of modern life automation, security and safety.

## **Innovation and Intellectual**

During the Period, ITES has taken an action for protecting our Intellectual Property Rights (IPR). In this action, formal IPR statements and letters were sent to various clients to address the ownership of IPRs and proprietary rights associated with our products, systems and solutions. By increasing our clients' awareness and knowledge of IPRs, the risks of infringement of our and our partners' IPR in any unwitting situations can be reduced.

Certainly, our core value can be assured and reinstated. We trust that through respecting IPRs, we and our clients can always work together to build a more level playing business society for all to work and trade.

Our Intellectual Property Rights Center ("IPRC") is pleased to announce that the registration design of our "Automated Passenger Management System (APMS) with Passenger Height Detection Sensor Mechanism" has successfully been filed to both, the Office for Harmonization in the Internal Market, Office of the European Union and United States Patent and Trademark Office.

Our APMS is constructed with a sophisticated combination of software, hardware electronics, electrical and mechanical components, which are controlled by advanced controllers and industrial personal computers. The new design incorporates a series of new functions and components including passenger height detection sensors and biometric devices such as iris scanner and facial recognition camera. E-Passport reader is also added and supported in our innovative design. We will keep on advancing our APMS to grow with the world's trend of security and automation in passenger management.

We aim to file our patents in the oversea countries that help in protecting our intellectual property rights worldwide. We believe it is an important and great step to put our products to the global marketplace.

## **Social Responsibility**

We possess a core set of values that drive the way in which we work. We aim to be client-focused, technology-driven, team-orientated, and to develop and sustain long-term working partnerships with our clients to enable them to benefit from our business and technical expertise. We strive to maintain professionalism and integrity at all times. We also bear the responsibility to make Hong Kong a better place for all by caring the community, protecting the environment and enhancing sustainable development.

During the Period, we have made new donation to the Suicide Prevention Services (“SPS”) whose mission is to serve people who are suicidal, despairing or in emotional distress by means of befriending and other services helping them to regain control of their emotions and the will to live on. SPS also aims at raising general awareness towards suicide and identifying ways in which suicides can be effectively addressed.

## **Future Prospect**

With the growing needs of IT products and services in Hong Kong and Macau and the worldwide demand of identification and security solution, tremendous business opportunity is ahead. Through efficient and effective management of the Group, we believe that the gross margin and profit shall continue to improve. The Directors also aim to invest resources and build up new products and business lines in supporting our on-going business development.

The Directors are glad to present an encouraging interim results of the fiscal year 2006/07, and we are optimistic to maintain profitability in the next quarter and throughout the whole fiscal year.

## **Financial Performance**

For the Period, the Company recorded a total revenue of approximately HK\$32 million, representing a slightly decrease of 2% over the same period in 2005. Profit attributable to the shareholders of the Company for the six months ended 30 September 2006 was approximately HK\$2 million as compared to that of approximately HK\$0.5 million for the corresponding period in 2005.

### ***Segmental information***

For the six months ended 30 September 2006, the Group recorded a decrease in turnover for about 2% when compared with the same period in last year. The decrease was mainly due to drop in turnover on our core business of provision of smartcard systems, RFID and information technology services. During the Period, the turnover of this segment was approximately HK\$10.7 million which was dropped for 26% with that of same period in last year. With the decrease in turnover, the segment results of loss increased to approximately HK\$871,000. The decrease of revenue in this segment was almost absorbed by the increase in revenue of consultancy service segment.

For consultancy service segment, the revenue was increased for about 18% when compared with the same period in last year. With the decrease in margin in this segment, the Group had tried to increase its client base so as to maintain its segment profits.

With the tighter cost control, the other staff costs had decreased for 9% to approximately HK\$2,619,000 for the Period (six months ended 30 September 2005: approximately HK\$2,874,000). However, the other operating expenses had increased for more than 53% to approximately HK\$2,894,000 for the Period (six months ended 30 September 2005: approximately HK\$1,889,000). The significant increase in other operating expenses was mainly due to office removal associated expenses and increase in office rental charges. The Group's office tenancy agreement was signed in three years ago and the rate of office rental had been increased significantly during the past three years. Therefore, the Group's office had been moved to a comparatively cheaper location in September 2006 but the new office rental charges is still double with its' previous one.

The finance costs increased by 36% to approximately HK\$701,000 (six months ended 30 September 2005: approximately HK\$514,000) as a result of increase in interest rate and borrowings.

Trade receivables and trade payables balances as at 30 September 2006 increased to approximately HK\$9,049,000 and HK\$1,800,000 respectively (31 March 2006: approximately HK\$4,748,000 and HK\$2,297,000 respectively).

#### ***Liquidity, financial resources and treasury policies***

The Group generally financed its operations with its internally generated cash flows and bank borrowings. At 30 September 2006, the Group had outstanding borrowings of HK\$13,659,403, comprising short-term loans of HK\$6,397,032 and bank overdraft of HK\$7,262,371. At 30 September 2006, the current ratio of the Group was 1.28 (31 March 2006: 1.17) while the liquidity ratio was 1.21 (31 March 2006: 1.09).

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, the Group believes to 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 Period.

#### ***Material acquisitions or disposals of subsidiaries and affiliated companies***

During the Period, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

### ***Employment information***

The Group recognizes 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 ongoing training programmes for its employees to keep them abreast of the latest market trends and new technologies.

As at 30 September 2006, the Group had 204 full-time employees (30 September 2005: 173 full-time employees), of which 188 are based in Hong Kong and the rest are in the PRC. Staff cost, including directors' emoluments, was approximately HK\$24 million for the six months ended 30 September 2006 (six months ended 30 September 2005: approximately HK\$22 million). During the Period, the Company has not granted any share option to any of its Directors and employees.

### ***Charges on Group assets***

As at 30 September 2006, time deposits of HK\$15,573,914 (31 March 2006: HK\$15,323,997) and available-for-sale financial assets of HK\$1,453,864 (31 March 2006: HK\$1,453,864) 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 30 September 2006.

### ***Gearing ratio***

At 30 September 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 nil (31 March 2006: nil).

### ***Exposure to fluctuations in exchange rates and any 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 Period, the Group generally used the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. There are denominated in 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 that 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 liabilities***

At 30 September 2006, the Company has undertaken to guarantee certain banking facilities granted to two wholly-owned subsidiaries to the extent of HK\$19 million (31 March 2006: HK\$19 million).

At 30 September 2006, the Group did not have any significant contingent liabilities (31 March 2006: Nil).



## INTERIM RESULTS

### UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three Months ended		Six Months ended	
		30 September	30 September	30 September	30 September
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>16,868</b>	17,440	<b>32,021</b>	32,696
Cost of services rendered		<b>(13,013)</b>	(14,182)	<b>(24,908)</b>	(26,394)
Cost of goods sold		<b>(292)</b>	(456)	<b>(727)</b>	(574)
<b>Gross profit</b>		<b>3,563</b>	2,802	<b>6,386</b>	5,728
Other revenue		<b>188</b>	204	<b>410</b>	228
Other net gain/(loss)		<b>(1)</b>	106	<b>2</b>	106
Other staff costs		<b>(1,367)</b>	(1,439)	<b>(2,619)</b>	(2,874)
Depreciation		<b>(98)</b>	(121)	<b>(184)</b>	(280)
Other operating expenses		<b>(1,821)</b>	(964)	<b>(2,894)</b>	(1,889)
<b>Profit from operations</b>	3	<b>464</b>	588	<b>1,101</b>	1,019
Finance costs		<b>(382)</b>	(333)	<b>(701)</b>	(514)
Gain on disposal of available-for-sale financial assets	4	<b>1,773</b>	-	<b>1,773</b>	-
<b>Profit before taxation</b>		<b>1,855</b>	255	<b>2,173</b>	505
Taxation	5	<b>(30)</b>	-	<b>(110)</b>	-
<b>Profit attributable to shareholders of the Company</b>		<b>1,825</b>	255	<b>2,063</b>	505
<b>Earnings per share</b>	7				
Basic		<b>0.20 cent</b>	0.03 cent	<b>0.23 cent</b>	0.06 cent
Diluted		-	-	-	-

## CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
<b>Non-current assets</b>			
Fixed assets	8	688	361
Available-for-sale financial assets		1,454	3,528
		<b>2,142</b>	<b>3,889</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		9	22
Inventories		1,827	1,932
Trade and other receivables	9	14,949	9,825
Deposits and prepayments		1,526	683
Pledged bank balances		15,574	15,324
Bank and cash balances		2,578	160
		<b>36,463</b>	<b>27,946</b>
<b>Current liabilities</b>			
Creditors and accrued charges	10	14,786	12,666
Short term borrowings	11	13,659	11,134
Provision for taxation		71	8
		<b>28,516</b>	<b>23,808</b>
<b>Net current assets</b>		<b>7,947</b>	<b>4,138</b>
<b>Net assets</b>		<b>10,089</b>	<b>8,027</b>
<b>Capital and reserves</b>			
Share capital	12	9,075	9,075
Reserves		1,014	(1,048)
<b>Shareholders' funds</b>		<b>10,089</b>	<b>8,027</b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months Ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	(4,357)	240
Net cash generated from/(used in) investing activities	3,558	(161)
Net cash generated from/(used in) financing activities	1,692	(3,504)
Net increase/(decrease) in cash and cash equivalent	893	(3,425)
Cash and cash equivalents at 1 April	(5,577)	(3,133)
Cash and cash equivalents at 30 September	(4,684)	(6,558)
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	2,578	111
Bank overdrafts	(7,262)	(6,669)
Cash and cash equivalents at 30 September	(4,684)	(6,558)

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves						Total
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Investment revaluation reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2005	9,075	22,816	10,749	-	-	(35,161)	7,479
Exchange difference arising on translation of foreign operation	-	-	-	60	-	-	60
Profit for the period	-	-	-	-	-	505	505
Balance at 30 September 2005	9,075	22,816	10,749	60	-	(34,656)	8,044
Balance at 1 April 2006	9,075	22,816	10,749	60	(106)	(34,568)	8,026
Profit for the Period	-	-	-	-	-	2,063	2,063
Balance at 30 September 2006	9,075	22,816	10,749	60	(106)	(32,505)	10,089

## Notes:

### 1. Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited interim consolidated 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 principal accounting policies used in the preparation of the unaudited interim consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2006.

### 2. Turnover and segment information

Turnover represents service revenue arising from smartcard systems, RFID and information technology services and related service contracts, sales of smartcard related products and information technology consultancy services.

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 fee income	:	The provision of information technology consultancy services

	Smartcard systems, RFID and information technology services		Consultancy services		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>TURNOVER</b>						
Sales to external customers	10,746	14,636	21,275	18,060	32,021	32,696
<b>RESULTS</b>						
Segment results	(871)	(159)	2,380	2,366	1,509	2,207
Unallocated corporate revenue					410	228
Unallocated corporate expenses					(818)	(1,416)
Profit from operations					1,101	1,019
Finance costs					(701)	(514)
Gain on disposal of available-for-sale financial assets					1,773	-
Profit before taxation					2,173	505
Taxation					(110)	-
Profit for the period					2,063	505
<b>ASSETS</b>						
Segment assets	24,784	22,264	13,514	12,175	38,298	34,439
Unallocated corporate assets					307	1,130
Consolidated total assets					38,605	35,569
<b>LIABILITIES</b>						
Segment liabilities	14,357	14,292	10,287	9,272	24,644	23,564
Unallocated corporate liabilities					3,872	3,962
Consolidated total liabilities					28,516	27,526
<b>OTHER INFORMATION</b>						
Capital expenditure	517	145	-	2	517	147
Depreciation	144	216	33	64	177	280
Unallocated depreciation					7	-
Impairment loss	60	121	-	-	60	121
Unallocated impairment loss					-	-
Non-cash expenses other than depreciation, amortisation and impairment loss	-	-	162	-	162	-

(b) Geographical segments

The Group participates principally in Hong Kong, the 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 geographically location of the assets.

	Hong Kong		Macau		The PRC		Other Locations		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue from external customers	29,212	23,546	2,195	8,761	389	323	225	66	32,021	32,696
Segment assets	35,534	32,688	67	98	3,004	2,783	-	-	38,605	35,569
Capital expenditure incurred during the Period	512	142	-	-	5	5	-	-	517	147

### 3. Profit from operations

Profit from operations is arrived at after charging:

	Three Months ended 30 September		Six Months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bad debts	162	-	162	-
Cost of inventories	2,012	4,621	4,066	8,033
Depreciation	98	121	184	280
Impairment loss on available-for-sale financial assets	-	60	60	121
Operating lease rentals of properties	455	257	722	514
Staff costs including directors' emoluments and retirement benefit scheme contributions	11,693	11,020	24,250	21,832

### 4. Gain on disposal of available-for-sale financial assets

On 27 June 2006, ITE (China) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Hu 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. 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 transaction was completed in August 2006 with the gain of approximately HK\$1,773,000. Further details are set out in the Company's circular dated 31 July 2006.

## 5. Taxation

The amount of taxation in the unaudited consolidated income statement represents Hong Kong profits tax which is provided at 17.5% (six months ended 30 September 2005: 17.5%) based on the assessable profit for the Period.

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

## 6. Dividends

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

## 7. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of approximately HK\$2,063,000 (six months ended 30 September 2005: approximately HK\$505,000) and the weighted average of 907,536,000 ordinary shares (six months ended 30 September 2005: 907,536,000 shares) in issue during the respective periods.

### (b) Diluted earnings per share

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in existence during the Period and for the six months ended 30 September 2005.

## 8. Fixed assets

During the six months ended 30 September 2006, the Group acquired fixed assets comprising leasehold improvement, furniture and fixtures, computers and other equipment and computer software of HK\$516,941 (six months ended 30 September 2005: HK\$147,511).

## 9. Trade and other receivables

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Trade receivables	9,049	4,748
Other receivables	118	415
Gross amount due from customers for service contract work	5,628	4,395
Retention money receivables	154	267
	<b>14,949</b>	<b>9,825</b>

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:

	<b>At 30 September 2006 HK\$'000 (Unaudited)</b>	<b>At 31 March 2006 HK\$'000 (Audited)</b>
Within 1 month	5,947	3,191
1 month to 3 months	2,756	1,023
More than 3 months but less than 12 months	300	490
More than 1 year but less than 2 years	-	37
More than 2 years	46	7
	<b>9,049</b>	<b>4,748</b>

#### 10. Creditors and accrued charges

	<b>At 30 September 2006 HK\$'000 (Unaudited)</b>	<b>At 31 March 2006 HK\$'000 (Audited)</b>
Trade payables	1,800	2,297
Accrued charges and other payables	8,742	8,034
Other borrowings	1,917	975
Gross amount due to customers for service contract work	1,597	611
Deferred maintenance income	716	735
Retention money payables	14	14
	<b>14,786</b>	<b>12,666</b>

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

	<b>At 30 September 2006 HK\$'000 (Unaudited)</b>	<b>At 31 March 2006 HK\$'000 (Audited)</b>
Within 1 month	456	469
1 month to 3 months	698	928
More than 3 months but less than 12 months	628	832
More than 1 year but less than 2 years	-	8
More than 2 years	18	60
	<b>1,800</b>	<b>2,297</b>



## 11. Short term borrowings

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Secured bank loans	6,397	5,397
Secured bank overdrafts	7,262	5,737
	<b>13,659</b>	11,134

## 12. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 April 2006 and 30 September 2006	907,536,000	9,075,360

## 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 30 September 2006, 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 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 GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

<u>Name of director</u>	Number of ordinary shares					Percentage of issued share capital
	<u>Personal interests</u>	<u>Corporate interests</u>	<u>Family interests</u>	<u>Other interests</u>	<u>Total</u>	
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%

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 30 September 2006, 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 30 September 2006</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Number of shares acquired on exercise of options during the Period</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

<u>Name of director</u>	<u>Aggregate number in ordinary shares</u>	<u>Aggregate number in underlying shares</u>	<u>Total</u>	<u>Percentage to the issued share capital of the Company</u>
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%

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

Save as disclosed above, as at 30 September 2006, 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.

## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

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 30 September 2006, 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.

## **SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2006, the Company had been notified of the following interests, being 5% or more of the issued share capital of the Company:

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

Note:

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".

## **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 Period are as follows:

Name or category of participant	Number of share options				Outstanding at 30 September 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
	Outstanding at 1 April 2006	Granted during the Period	Exercised during the Period	Lapsed during the Period					
<i>Pre-IPO Scheme</i>									
Lau Hon Kwong, Vincent /Director	6,109,440	-	-	-	6,109,440	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
George Roger Manho /Director	4,000,000	-	-	-	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
Cheng Kwok Hung /Director	4,000,000	-	-	-	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
Liu Hoi Wah /Director	19,112,640	-	-	-	19,112,640	12 February 2001	21 August 2001 to 11 February 2011	HK\$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	HK\$0.095	N/A
Employees	35,157,920	-	-	-	35,157,920	12 February 2001	21 August 2001 to 11 February 2011	HK\$0.095	N/A
	<u>70,140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,140,000</u>				
<i>Post-IPO Scheme</i>									
Employees	2,000,000	-	-	2,000,000	-	28 December 2001	1 July 2004 to 31 December 2011	HK\$0.195	HK\$0.195
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>				

(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 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 Period are as follows:

Name or category of participant	Number of share options				Outstanding at 30 September 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
	Outstanding at 1 April 2006	Granted during the Period	Exercised during the Period	Lapsed during the Period					
Employees	3,500,000	-	-	-	3,500,000	9 August 2002	9 August 2003 to 8 August 2012	HK\$0.175	HK\$0.175
An Employee	6,400,000	-	-	-	6,400,000	9 August 2002	9 February 2003 to 8 August 2012	HK\$0.175	HK\$0.175
	<u>9,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,900,000</u>				

At 30 September 2006, the number of shares outstanding and issuable under the Pre-IPO Scheme, the Post-IPO scheme and the 2002 Scheme was 70,140,000, nil 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 OF THE COMPANY**

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

## **COMPETING INTERESTS**

As at 30 September 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. Tang Siu, Henry and Mr. Kam Hau Choi, Anthony, and an executive director, Mr. Liu Hoi Wah. Dr. Lee Peng Fei, Allen was appointed the chairman of 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 advice and comments thereon to the Board. The Group's interim report for the six months ended 30 September 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 Period, 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.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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 period ended 30 September 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 period ended 30 September 2006.

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

Hong Kong, 10 November 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](http://www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company at [www.hkite.com](http://www.hkite.com).*