



ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8092)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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 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 nine months ended 31 December 2006 was approximately HK\$48,811,000 representing a slightly increase of approximately 1% over the turnover of approximately HK\$48,195,000 for the same period in 2005.

Profit attributable to shareholders of the Company for the nine months ended 31 December 2006 amounted to approximately HK\$2,186,000 compared to that of approximately HK\$817,000 for the same period in 2005.

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2006 (nine months ended 31 December 2005: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I hereby present the unaudited consolidated results for ITE and its subsidiaries (together, the "Group") for the nine months ended 31 December 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.

The Group has managed to maintain profitability for three consecutive quarters in this fiscal year. While being confident with the performance outlook and profitability of 2007, we will continue to improve the management efficiency and effectiveness to make us more competitive within the business environment.

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, 5 February 2007

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

During the Period, our subsidiary, ITE Smartcard Solutions Limited (“ITES”), continued to receive orders to provide system enhancement and services upgrade to the Automated Passenger Clearance System (“APCS”) and the Automated Vehicle Clearance System (“AVCS”) of the Public Security Forces Services Bureau and the Customs of the Government of Macau respectively. ITES also received orders from an overseas country for the design, manufacturing and delivery of automated border control system. The design and development activities will continue until the next fiscal year. While executing this new project, ITES continues to explore similar business opportunity associated with this application. The Directors are positive that the APCS products and solutions shall remain the lead driving force of ITE’s overseas growth.

We are also glad that our subsidiary, RF Tech Limited (“RFT”)’s Optical Turnstile Poles have been used for the ASEAN Summit held in early January 2007. This access control product has taken an important security role to authenticate guests' identity before they accessed to the venue. This international government event was successfully completed and a Philippines government department is now using the security systems. The project was primed and delivered by our system integration partner in Philippines, the Unlimited Solutions Limited, which carries and resells RFT's product lines.

Within the Hong Kong market, ITES has been awarded with a new contract by the Electrical and Mechanical Services Department for the design, delivery and maintenance of an ISO 15693 access control system for the Infectious Disease Centre of Princess Margaret Hospital. For this new project, RFT’s latest access control products will be deployed, the completion is expected to be in the next quarter.

Our subsidiary, Quesco Systems Limited (“QSL”), business line of IT Contract Staff Services continued to grow stable with more number of staffs provided to clients and improvement of margin, QSL also engaged in the referral of staff to a new client during the Period.

Delivery and Service

During the Period, ITES is pleased to announce that the Smartcard Integrated Access and Facility Control System (“SIFS”) of the University of Hong Kong (“HKU”) was launched on 1 November 2006.

Every University has numerous campus facilities. It is increasing important to achieve more energy saving, better utilization and tighter security control of her teaching and learning facilities. For these purposes, the SIFS has been designed and developed. ITES and HKU pioneered the concept and application of smartcard driven facility management back in the last century 90’. Under the SIFS, more than 70 lecture theatres and rooms together with the facilities inside are scheduled and managed. The equipment and facility include door access control, lighting, AV equipment box, HVAC, alarm and signage display etc.

While the society is going towards more environmental, automated and secured, it is expected more systems will be installed in the campuses of Hong Kong and Macau.

Innovation and Intellectual

During the Period, RFT continued to invent and develop new products to enhance the functions and features of our solutions.

The Visitors Detection and Biometrics Device Positioning Mechanism, a new and independent mechanism of Automated Passenger Clearance System, has been filed to the State Intellectual Property Office of P.R.C with Application No.: 200610117404.4 on 23 October 2006.

With this patent pending mechanism, the height of the visitor or user can be instantly detected. There is a movable platform, which carries and positions the biometrics device to the most appropriate position for capturing and authenticating visitor biometric characteristics.

Social Responsibility

On the World Sight Day, ORBIS organized an ORBIS Pin Day to raise awareness of preventable blindness. Many of our staffs joined the ORBIS Pin Day on 12 October 2006. We wore the ORBIS pins to remind us to take care of the blindness and try our best to support sight-saving programmes.

ORBIS reminds us that "Some 75% of the world's 37 million blind people could easily see again. Sadly, 9 out of 10 of them live in impoverished countries with inadequate medical infrastructures. ORBIS has been fighting preventable blindness in such countries since 1982, treating over 3,000,000 patients and training more than 124,000 medical professionals."

"Together we can bring light" is a slogan by ORBIS. ITE also believes that to save the people from darkness, we need to show concerns and take actions. ITE always encourages staffs to donate money and join activities for helping the less advantaged like this time.

Future Prospect

The Group is facing new business opportunity and challenge generated from our focused and devoted efforts. We strongly believe that our strength, experience and capability will bring the best returns and interests to our shareholders. 2007 will certainly be another profitable year of ITE.

Financial Performance

For the Period, the Company recorded a total revenue of approximately HK\$49 million, representing a slightly increase of 1% over the same period in 2005. Profit attributable to the shareholders of the Company for the nine months ended 31 December 2006 was approximately HK\$2 million as compared to that of approximately HK\$0.8 million for the corresponding period in 2005.

QUARTERLY RESULTS

UNAUDITED CONSOLIDATED INCOME STATEMENT

| | Notes | Three Months ended 31 December | | Nine Months ended 31 December | |
|---|-------|-----------------------------------|------------------|----------------------------------|------------------|
| | | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 |
| Turnover | 2 | 16,790 | 15,499 | 48,811 | 48,195 |
| Cost of services rendered | | (13,523) | (11,959) | (38,431) | (38,353) |
| Cost of goods sold | | (298) | (378) | (1,025) | (952) |
| Gross profit | | 2,969 | 3,162 | 9,355 | 8,890 |
| Other income | | 319 | 86 | 729 | 314 |
| Other staff costs | | (1,354) | (1,467) | (3,973) | (4,341) |
| Depreciation | | (84) | (107) | (268) | (387) |
| Other operating expenses | | (1,292) | (1,055) | (4,184) | (2,838) |
| Profit from operations | | 558 | 619 | 1,659 | 1,638 |
| Finance costs | | (385) | (307) | (1,086) | (821) |
| Gain on disposal of available-for-sale financial assets | 3 | - | - | 1,773 | - |
| Profit before taxation | | 173 | 312 | 2,346 | 817 |
| Taxation | 4 | (50) | - | (160) | - |
| Profit attributable to shareholders of the Company | | 123 | 312 | 2,186 | 817 |
| Earnings per share | 6 | | | | |
| Basic | | 0.01 cent | 0.03 cent | 0.24 cent | 0.09 cent |
| Diluted | | - | - | - | - |

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 | |
| 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 | - | - | - | - | - | 817 | 817 |
| Balance at 31 December 2005 | 9,075 | 22,816 | 10,749 | 60 | - | (34,344) | 8,356 |
| Balance at 1 April 2006 | 9,075 | 22,816 | 10,749 | 60 | (106) | (34,568) | 8,026 |
| Exchange difference arising on translation of foreign operation | - | - | - | 39 | - | - | 39 |
| Profit for the Period | - | - | - | - | - | 2,186 | 2,186 |
| Balance at 31 December 2006 | 9,075 | 22,816 | 10,749 | 99 | (106) | (32,382) | 10,251 |

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited consolidated results 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 consolidated results 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

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.

3. 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.

4. Taxation

The amount of taxation in the unaudited consolidated results represents Hong Kong profits tax which is provided at 17.5% (nine months ended 31 December 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.

5. Dividends

The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2006 (nine months ended 31 December 2005: Nil).

6. 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\$2,186,000 (nine months ended 31 December 2005: approximately HK\$817,000) and the weighted average of 907,536,000 ordinary shares (nine months ended 31 December 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 nine months ended 31 December 2005.

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 31 December 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 | | | | | <u>Percentage of issued share capital</u> |
|----------------------------|---------------------------|-----------------------------|-------------------------|------------------------|-----------------|---|
| | <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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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% |

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".

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 31 December 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 31 December 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 31 December 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 31 December 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. 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 quarterly report for the nine months ended 31 December 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 31 December 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 31 December 2006.

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

Hong Kong, 5 February 2007

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.