



ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8092)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005

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.

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

This announcement, for which the directors (the “Directors”) of ITE (Holdings) Limited (“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.

FINAL RESULTS

The board (the “Board”) of Directors of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005, together with the comparative audited figures for the previous year.

Consolidated Income Statement

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	2	48,470	61,843
Cost of services rendered		(41,531)	(52,051)
Cost of goods sold		(1,321)	(679)
		5,618	9,113
Other revenue		462	516
Other net loss		(107)	(88)
Other staff costs		(6,252)	(6,760)
Depreciation and amortisation		(1,636)	(2,260)
Other operating expenses		(12,965)	(11,838)
Loss from operations		(14,880)	(11,317)
Finance costs - Interest on bank loans and overdrafts		(729)	(721)
Loss from ordinary activities before taxation	3	(15,609)	(12,038)
Taxation	4	-	-
Loss attributable to shareholders		(15,609)	(12,038)
Dividend	5	-	-
Loss per share	6		
Basic		(1.72 cents)	(1.33 cents)
Diluted		N/A	N/A

Consolidated Statement of Changes in Equity

	Share capital HK\$'000	Reserves			Total HK\$'000
		Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1 April 2003	9,075	22,816	10,749	(7,514)	35,126
Loss for the year	-	-	-	(12,038)	(12,038)
Balance at 31 March 2004	9,075	22,816	10,749	(19,552)	23,088
Loss for the year	-	-	-	(15,609)	(15,609)
Balance at 31 March 2005	9,075	22,816	10,749	(35,161)	7,479

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAPs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the GEM Listing Rules. The measurement basis used in the preparation of the accounts is historical cost as modified by the revaluation of trading securities.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Company has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Segment information

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

(a) Business segments

The Group comprises the following main business segments:

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

	Smartcard systems, RFID and information technology services		Consultancy services		Electrical and mechanical installation		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER								
Sales to external customers	9,842	16,437	38,542	44,534	86	872	48,470	61,843
RESULTS								
Segment results	(7,592)	(11,582)	3,661	3,925	(716)	(162)	(4,647)	(7,819)
Unallocated corporate revenue							462	516
Unallocated corporate expenses							(10,695)	(4,014)
Loss from operations							(14,880)	(11,317)
Finance costs							(729)	(721)
Loss before taxation							(15,609)	(12,038)
Taxation							-	-
Loss attributable to shareholders							(15,609)	(12,038)
Capital expenditure	77	453	45	3	-	-		
Depreciation and amortisation	505	966	151	291	-	-		
Impairment loss	234	238	-	-	-	-		
Provision for inventories	280	-	-	-	-	-		
Non-cash expenses other than depreciation, amortisation and impairment loss	-	-	173	498	-	-		

(b) Geographical segments

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

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers.

	2005	2004
	HK\$'000	HK\$'000
Hong Kong	46,284	59,221
The PRC	887	1,318
Other locations	1,299	1,304
	48,470	61,843

3. Loss from ordinary activities before taxation

Loss from ordinary activities before taxation is arrived at after charging:

	2005	2004
	HK\$'000	HK\$'000
Amortisation of goodwill	951	951
Auditors' remuneration	335	282
Cost of inventories	3,113	3,455
Depreciation	685	1,309
Impairment loss on goodwill	6,339	-
Impairment loss on investment securities	234	238
Operating lease charges: minimum lease payments for hire of properties	1,173	1,874
Provision for obsolete inventories	280	-
Provision for doubtful debts	173	498
Staff costs including directors' emoluments and retirement benefit scheme contributions	47,195	56,114

Note: Cost of inventories sold includes provision for inventories of approximately HK\$280,000 (2004: HK\$Nil) which is included in the amount disclosed separately above for the year.

4. Taxation

- (a) No provision for Hong Kong profits tax and overseas profits tax is required since the Group has no assessable profit for the year.
- (b) The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the applicable tax rate of the Group as follows:

	2005	2004
	HK\$	HK\$
Loss before taxation	<u>(15,609,352)</u>	<u>12,038,430</u>
Tax at the applicable tax rate	(2,851,481)	(2,250,685)
Tax effect of income that is not taxable in determining taxable profit	-	(36,929)
Tax effect of expenses that are not deductible in determining taxable profit	1,426,605	194,175
Tax effect of unused tax losses not recognised	1,968,418	2,837,121
Tax effect of prior year's tax losses utilised this year	<u>(543,542)</u>	<u>(743,682)</u>
Taxation charges	<u>-</u>	<u>-</u>

The applicable tax rate represents the weighted average of the rates of taxation prevailing in the relevant jurisdictions in which the Group operates.

- (c) Deferred tax assets are not recognised for temporary differences and tax losses carried forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The tax effect on temporary differences and unrecognised tax losses was approximately HK\$7,862,000 (2004: HK\$5,240,000) as at 31 March 2005.

5. Dividend

No interim dividend (2004: HK\$Nil) was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 31 March 2005 (2004: HK\$Nil).

6. Loss per share

- (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$15,609,000 (2004: approximately HK\$12,038,000) and the weighted average of 907,536,000 ordinary shares (2004: 907,536,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented for the year as there were no dilutive potential ordinary shares in existence during the year.

7. Lease commitments

At 31 March 2005, the Group's total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2005	2004
	HK\$	HK\$
Within one year	1,308,922	1,083,103
After one year but within five years	195,158	1,513,278
	1,504,080	2,596,381

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Sales and Marketing Activities

The Directors are pleased to announce that following the recent contracts award of the Automated Vehicle Clearance System ("AVCS") and the Automated Passenger Clearance System ("APCS") by the Customs and Public Security Forces Affairs Bureau ("DSFSM") of Macau Special Administrative Region (the "Macau SAR"), our subsidiaries Qesco Systems Limited ("QSL") together with ITE Smartcard Solutions Limited ("ITES") have secured another mission critical smartcard project for the Hong Kong Special Administrative Region (the "HKSAR") – the Computerized Registration Management System of the newly formed Construction Workers Registration Authority. This project is one of the largest scale card personalization and management system of the Government of the HKSAR after the Smart ID Card project. The system includes a new backend information technology infrastructure, personalization machines, workflow and related application software and more than 100,000 pieces of contactless smartcards with security printing features to be issued.

During the year, ITES secured another important contract from a new client department of the Government of the HKSAR to design, develop, supply and install a card personalization and image identification reader system. More than 10,000 pieces of 4K memory contactless smartcard will be personalized and issued with over 100 reader stations to be installed at sites across the territory.

All of these projects are to be started and completed in the fiscal year of 2006, and revenues to be booked starting in the first quarter of fiscal year of 2006. While delivering these projects, ITES has continued to market our solutions and services to various government departments, public and private organizations, it is expected that a number of new contracts will be awarded in the next quarter, and the speed of establishing new clients and contracts from Macau SAR will increase.

Within the campus and real estates market, ITES and our China subsidiary, 上海阿艾依智控系統有限公司 (“ITEC”) have been awarded with new contracts from old and new clients in HKSAR, Macau SAR and Shanghai. ITEC has successfully completed the first Shanghai Traffic Card parking payment solution, and is actively promoting and developing the market in Shanghai.

Extensive marketing activities for the automated passenger management system have been conducted, ITES has tendered and offered for a number of bids across the world included a sizeable one in the Middle East. The result should be announced in the next quarter. Through our strong commercial partnership with industry players, it is expected that a new overseas market will be established in the very near future.

During the year, our subsidiary, Quesco Systems Limited (“QSL”), has continued to excel in the staffing and recruitment sectors in Hong Kong and participated in the tendering of the new T21 contract for the Provision of Information Technology Contract Staff Services issued by the Government of the HKSAR, the tender assessment interview was smoothly completed, the result of the tender should be released in the next quarter. Besides T21, QSL also participated in a number of contract bids and managed to secure new clients.

Research and Development (the “R&D”)

It has been a very busy year for the Group’s R&D activities. Our product arm RF Tech Limited (“RFT”) has continued to design and develop a number of new products and solutions in supporting the needs and requirements coming from the automated vehicle, passage, e-purse, Electronic Product Code (“EPC”) and card management systems.

The R&D activities cover not only the related hardware and software, but also outlook and workflow design. Our efforts have resulted in the filing of a number of patents in relation to the automated passenger clearance system in the PRC, Hong Kong and Macau.

Besides our internal R&D activities, we have entered into two sponsorship programs with the Hong Kong University of Science and Technology (“HKUST”) and the Hong Kong Polytechnic University in supporting the development of ‘Low-Cost Multiple-Standard Single-Chip UHF RFID Readers/Tags’ and ‘Advanced Textiles and Garment Manufacturing Process Technology Using RFID’ respectively. The R&D projects are under the matching funding from the Guangdong-HK Technology Cooperation Funding Scheme of the Innovation and Technology Commission and the new Textile and Clothing R&D Center of the HKSAR.

The Group has continued to form commercial and technology alliances with new overseas partners to access to the latest technologies and business requirements. The Directors aim to push forward the development and management of our intellectual property rights, knowledge and experiences, and we trust that those value will ultimately be appreciated by the market and clients, and reflected in our stronger business revenue streams and margins.

Governance and Social Responsibility

During the year, the Group has continued to participate in serving the community with our staff actively involved in social services. The Hong Kong Red Cross Blood Transfusion Service held a Blood Donation drive in March 2005 at our headquarter in the Grand Century Place. Many management team members and employees of the Group participated in the drive by donating their blood to this valuable and highly important cause. The blood donation process was very well organized and executed, leaving all with the satisfied feeling of having contributed more than just their hard work, time and effort to the Hong Kong community. Along with this blood donation event, our staffs have also joined a number of charity fund raising campaigns.

Aiming to offer training and career opportunities to the youth, the Group has continued to provide for the workplace attachment training organized by the Labour Department under the Youth Pre-employment Training Programme and the Business Internship Practice Scheme of the local universities.

The Group establishes as a corporate social responsibility to make Hong Kong a better place for all, and shall continue our support for worthy initiatives. ITE is also committed to maintain high standards and solid framework of corporate governance through the on-going establishment of best practices and policies. We shall comply throughout the year with the best practice provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

Future Prospect

The Group has reported financial losses for the past three years. During those periods, the Group has been tackling the effects of local economy downfall and changes in business environment and practices while at the same time investing extensive resources in corporate restructure, marketing, research and development with the aim to build up sustainable business and operation models for long term interests of the Group. The Directors strongly believe that the strategies are correct and the results are coming into effect as will be reflected in the fiscal year of 2006. Besides, our stronger market position is creating new opportunities to expand to overseas marketplaces. We expect the financial performance will continue to be improved.

Financial Performance

For the year ended 31 March 2005, the Group recorded a total revenue of approximately HK\$48 million, representing a decrease of 22% over last year. Loss attributable to the shareholders for the year ended 31 March 2005 was approximately HK\$16 million as compared to a loss of approximately HK\$12 million for the last year.

Segmental Information

During the year, the Group recorded a drop in turnover for about 22% when compared with last year. The Group's gross profit margin was decrease for about 21% from 14.74% in last year to 11.59% in current year.

During the year, the Group continued to concentrate its resources on its core business development, i.e. to provide the smartcard and RFID systems and information technology services. The significant drop in turnover was mainly due to the stringent credit evaluations of the financial condition of the customers resulting in slow business and less active in some low-end low-margin application markets. The Group was very cautious of bidding contracts from new customers, especially those involving high bidding budget and long tendering process. At the same time, a full provision was made on all those qualified contracts signed in previous years. Besides, within the campus market, the turnover also dropped for the reason of continual budget cutting by the government of the HKSAR.

Furthermore, as mentioned in previous section, the Group had much R&D activities during the year. Much effort had been placed in R&D investments. As at 31 March 2005, the headcount of R&D department has increased to 8 (as at 31 March 2004: 5) and the R&D department has already increased its headcount to 11 as at to date. Hence, the Company's policy is to direct write off the R&D cost to the Income Statement. However, the Directors strongly believe that such R&D investment will enhance Company's long-term business development and shareholders' worth ultimately.

For consultancy service segment, the turnover had been drop for about 13% when compared with last year. The decrease is mainly due to the greater demand in IT professionals in the market upon economy recovery during the year. This results in higher staff turnover rate and lower profit margin for higher IT staff cost.

For electrical and mechanical engineering segment, with the higher risk on receivables, lower gross profit margin and longer credit period, the Group aims to slow down this segment purposely. During the year, cost amounted to around HK\$700,000 still had to be incurred in concluding the remaining contracts. Excluding this additional cost incurred in this segment, the revised overall gross profit margin would be 13.07% which is only 11% drop when compared with last year. However, all the related contracts in hand were fully completed and there would be no longer related cost to be incurred in the future.

The Group's other operating expenses increased approximately 10%. The increase was mainly attributable to the impairment loss on goodwill amounted to HK\$6,338,616. Excluded the said impairment loss on goodwill, the other operating expenses would only be HK\$6,626,413 which represented a significant drop of 44% when compared with that of last year. With our continual cost restructure and stringent cost control, our overall general and administrative expenses decreased during the year.

Liquidity, Financial Resources and Treasury Policies

The Group generally financed its operations with its internally generated cash flows and bank borrowings. As at 31 March 2005, the Group had outstanding borrowings of HK\$9,296,579, comprising short-term loans of HK\$5,399,823, bank overdrafts of HK\$3,480,126 and installment loan of HK\$416,630. At 31 March 2005, the current ratio of the Group was 1.23 (2004: 1.58) while the liquidity ratio was 1.13 (2004: 1.46)

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

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

Significant Investments

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

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

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

Employment Information

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

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

At 31 March 2005, the Group had 160 full-time employees (2004: 171 full-time employees), of which 145 are based in Hong Kong and the rest are in the PRC. Staff cost, including directors' emoluments, was approximately HK\$47 million for the year ended 31 March 2005 (2004: approximately HK\$56 million). During the year, the Company has not granted any share option to any of its Directors and employees.

Charges on Group Assets

At 31 March 2005, time deposits of HK\$13,594,808 (2004: HK\$13,584,923) were pledged to banks to secure certain banking facilities of the Group.

Future Plans for Material Investments

The Group did not have any plans for material investment and acquisition of material capital assets as at 31 March 2005.

Gearing Ratio

At 31 March 2005, 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 (2004: 0.02).

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

Contingent Liability

At 31 March 2005, the Company has undertaken to guarantee certain banking facilities granted to two wholly-owned subsidiaries to the extent of HK\$15.6 million (2004: HK\$18.5 million).

At 31 March 2005, the Group did not have any significant contingent liabilities (2004: HK\$Nil).

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 March 2005, the interests and short positions of each of 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 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 directors</u>	Number of ordinary shares				<u>Total</u>	<u>Percentage of issued share capital</u>
	<u>Personal interests</u>	<u>Corporate interests</u>	<u>Family interests</u>	<u>Other interests</u>		
Mr. Lau Hon Kwong, Vincent	-	456,250,348 (L) (Note 2)	-	-	456,250,348 (L)	50.27%
Mr. George Roger Manho	118,142,254 (L)	-	-	-	118,142,254 (L)	13.02%
Mr. Cheng Kwok Hung	-	456,250,348 (L) (Note 2)	-	-	456,250,348 (L)	50.27%
Mr. Tsao Kwang Yung, Peter	100,000 (L)	-	-	-	100,000 (L)	0.01%

Note:

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 March 2005, 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 March 2005</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Number of shares acquired on exercise of options during the year</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	118,142,254 (L)	4,000,000 (L)	122,142,254 (L)	13.46%
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	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 31 March 2005, 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 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 March 2005, neither the 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 March 2005, 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)	118,142,254	13.02%
Mr. Man Kai Shun	55,301,000	6.09%

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 year are as follows:

Name or category of participant	Number of share options				Outstanding at 31 March 2005	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 2004	Granted during the year	Exercised during the year	Lapsed during the year					
<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	\$0.095	N/A
George Roger Manho /Director	4,000,000	-	-	-	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	\$0.095	N/A
Cheng Kwok Hung /Director	4,000,000	-	-	-	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	\$0.095	N/A
Liu Hoi Wah /Director	19,112,640	-	-	-	19,112,640	12 February 2001	21 August 2001 to 11 February 2011	\$0.095	N/A
Lee Peng Fei, Allen /Director	1,760,000	-	-	-	1,760,000	12 February 2001	21 August 2001 to 11 February 2011	\$0.095	N/A
Employees	35,157,920	-	-	-	35,157,920	12 February 2001	21 August 2001 to 11 February 2011	\$0.095	N/A
	<u>70,140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,140,000</u>				
<i>Post-IPO Scheme</i>									
Employees	5,032,000	-	-	5,032,000	-	10 April 2001	10 April 2002 to 9 April 2004	\$0.455	\$0.455
Employees	6,756,000	-	-	6,756,000	-	11 October 2001	11 October 2002 to 10 October 2004	\$0.35	\$0.3
Employees	2,000,000	-	-	-	2,000,000	28 December 2001	1 July 2004 to 31 December 2011	\$0.195	\$0.195
	<u>13,788,000</u>	<u>-</u>	<u>-</u>	<u>11,788,000</u>	<u>2,000,000</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 a substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

Name or category of participant	Number of share options				Outstanding at 31 March 2005	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 2004	Granted during the year	Exercised during the year	Lapsed during the year					
Employees	3,500,000	-	-	-	3,500,000	9 August 2002	9 August 2003 to 8 August 2012	\$0.175	\$0.175
An Employee	6,400,000	-	-	-	6,400,000	9 August 2002	9 February 2003 to 8 August 2012	\$0.175	\$0.175
	<u>9,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,900,000</u>				

At 31 March 2005, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO scheme and the 2002 Scheme was 70,140,000, 2,000,000 and 9,900,000, respectively.

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

PURCHASE, SALE AND REDEMPTION OF SHARES

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

COMPETING INTERESTS

As at 31 March 2005, the directors were not aware of any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such persons have or may have with the Group.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee which comprises three independent non-executive directors, Dr. Lee Peng Fei, Allen, Mr. Tsao Kwang Yung, Peter and Mr. Kam Hau Choi, Anthony, and an executive director, Mr. Liu Hoi Wah. Dr. Lee Peng Fei, Allen was appointed the Chairman of the audit committee. Following the death of Mr. Tsao Kwang Yung, Peter on 5 June 2005, the Company has only two independent non-executive directors and two audit committee members which fall below the minimum number of three independent non-executive directors and three audit committee members as required under Rules 5.05 and 5.28 of the GEM Listing Rules respectively. In this regard, the Company will find a suitable candidate to fill the vacancy as soon as practicable.

The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems and the annual report of the Group. The Group's financial statements for the year ended 31 March 2005 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.

BOARD PRACTICES AND PROCEDURES

During the year ended 31 March 2005, the Company has complied Rules 5.34 to 5.45 of the GEM Listing Rules concerning the Board practices and procedures, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Government Practices and Rules on Corporate Governance Report become effective on 1 January 2005.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2005. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 March 2005.

CORPORATE GOVERNANCE

In light of changes to the GEM Listing Rules which came into effect on 1 January 2005, the Directors are in the process of reviewing and making appropriate changes to the Group's corporate governance practices by reference to the new Code on Corporate Governance Practices.

The Company has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of its independent non-executive directors are independent.

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

Hong Kong, 17 June 2005

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 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.