



ITE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2003

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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 three months ended 30 June 2003 was approximately HK\$14,554,000, representing a decrease of approximately 39% over the turnover of approximately HK\$23,808,000 for the same period in 2002.

Loss attributable to shareholders for the three months ended 30 June 2003 amounted to approximately HK\$3,427,000 compared to loss attributable to shareholders of approximately HK\$2,833,000 for the same period in 2002.

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2003 (three months ended 30 June 2002: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I hereby present the quarterly unaudited consolidated results for ITE and its subsidiaries (together, the "Group") for the three months ended 30 June 2003 (the "Period").

The mission of the Group is to become the leading smartcard and radio frequency identification ("RFID") solution provider and system integrator in the Asia Pacific region. ITE has been pioneering smartcard solutions and system integration and has been performing outstandingly in Hong Kong. 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 smartcard industry in Hong Kong and has taken a proactive approach to introduce innovative and customised smartcard and RFID applications to its clients. Leveraging on its extensive industry experience, ITE is developing smartcard and RFID solutions for clients from many industries and expanding its business activities to the People's Republic of China (the "PRC").

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
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 11 August 2003

BUSINESS REVIEW

Sales and Marketing

During the Period, the Group has been actively involved in bidding a number of sizeable government IT projects. The results of award will be announced before the end of 2003. These projects cover the design, supply, delivery, installation, commissioning, and maintenance of smartcard related hardware, software and IT services.

The Group has been awarded with projects from new clients as well. Within the real estates market, ITE Smartcard Solutions Limited (“ITES”) has been awarded a contract from Hang Lung Property Management Limited to provide Phase I to IV of Amoy Garden with a smartcard management and access control system. An Octopus Card Access Control System for Sun Kwai Hing Garden was also awarded to ITES during the Period. The Group has kept approaching clients in real estates markets with several tenders submitted during the Period of which results are expected to be released in the second quarter of this fiscal year.

Within campus market, ITES continues to maintain stable sales in the local market. It has been awarded contracts to supply and install hostel smartmeter and access control systems from the University of Science and Technology, new phases of hostel smartmeter system from the Chinese University of Hong Kong and The University of Hong Kong. Several enhancement and variation orders were also received from the local university clients.

In parallel, the Group is exploring business opportunities among campus market in nearby region. ITES has been expanding in Macau with more projects awarded from tertiary institutions. It continues to work actively with the University of Macau (“UMAC”) on its smartcard system development. Negotiations on smartcard projects are also being made with several tertiary institutions and departments of the Macau SAR Government while some of which are under the final stage.

Research and Development

The Group has continued to invest in R&D through its product arm RF Tech Limited (“RFT”) and developed new products and application systems based on various smartcard and RFID technologies.

During the Period, a newly developed Automated Passenger and Vehicle Management System and related hardware devices and software applications have been launched. It is specially designed and developed for smartcard driven self-service passenger and vehicle clearance environment. To protect its intellectual property right, a patent has been filed to the State Patent Office in Beijing. The application is preliminarily approved on 6 June 2003 with the application number as 03129119.8.

Numerous new innovations including biometrics device, smartcard and multi-tag RFID reader have been finished and launched. Two newly developed product and system have also been submitted for consideration of 2003 Hong Kong Awards For Industry.

Caring the Community

During the Period, the Group has continued to participate in serving the community with its staff actively involved in social services. On 30 May 2003, ITE staff has joined the community visit for deprived groups and poor families held by The Hong Kong Council of Social Service. The event included a lively second hand shop to collect and resell products aiming at helping low-income families and a poverty alleviation scheme to train up unemployed people. During the outbreak of Severe Acute Respiratory Syndrome (“SARS”), ITE has also participated in supporting the fund-raising event of the “United in Spirit & Action”. As a commitment to the society, the Group will continuously pay effort in serving the community and caring about the society.

Future Prospect

As the effect of the SARS outbreak keeps going, the local economic condition continues to suffer, it is expected that the overall recovery and turnaround will further be delayed. Business sector remains conservative in investing into new information technology infrastructure and procurement of IT services. To tackle the difficulty and enhance the competitiveness of the Group, series of consolidation and cost reduction measures will continue to be implemented. The Board believes that the Group is moving in a positive direction, and will continue its active approach to promote new technologies, services and solutions to increase the turnover and profitability of the Company.

QUARTERLY RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three Months ended 30 June	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover	2	14,554	23,808
Cost of services rendered		(13,248)	(20,648)
Cost of goods sold		(110)	(134)
		1,196	3,026
Other revenue		96	24
Other net gain		6	5
Other staff costs		(1,775)	(2,744)
Depreciation and amortisation		(658)	(683)
Other operating expenses		(2,119)	(2,380)
Loss from operations		(3,254)	(2,752)
Finance costs		(173)	(81)
Loss from ordinary activities before taxation		(3,427)	(2,833)
Taxation	3	-	-
Loss attributable to shareholders		(3,427)	(2,833)
Loss per share	5		
Basic		(0.38 cent)	(0.31 cent)
Diluted		-	(0.30 cent)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves				Total
	Share capital	Share premium	Merger reserve	Retained profits/ (Accumulated losses)	
	HK\$"000	HK\$"000	HK\$"000	HK\$"000	HK\$"000
Balance at 1 April 2002	9,080	22,857	10,749	13,700	56,386
Loss for the period	-	-	-	(2,833)	(2,833)
Balance at 30 June 2002	9,080	22,857	10,749	10,867	53,553
Balance at 1 April 2003	9,075	22,816	10,749	(7,513)	35,127
Loss for the Period	-	-	-	(3,427)	(3,427)
Balance at 30 June 2003	9,075	22,816	10,749	(10,940)	31,700

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accept in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the accounts is historical cost. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2003.

2. Turnover

Turnover represents service revenue arising from smartcard systems and related service contracts, information technology consultancy services, commissioning of turnkey computer systems development projects, electrical and mechanical installation work and related service contracts, and sales of smartcard and electrical and mechanical installation related products.

3. Taxation

No provision for Hong Kong profits tax has been made for the Period and the corresponding period in 2002 since the Group has no assessable profit.

4. Dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2003 (three months ended 30 June 2002: Nil).

5. Loss per share

(a) Basic loss per share

The calculation of basic loss per share for the Period is based on the loss attributable to shareholders of approximately HK\$3,427,000 (three months ended 30 June 2002: approximately HK\$2,833,000) and the weighted average of 907,536,000 ordinary shares (three months ended 30 June 2002: 907,996,000 shares) in issue during the respective periods.

(b) Diluted loss per share

No diluted loss per share is presented for the Period as there were no dilutive potential ordinary shares in existence during the Period. The calculation of diluted loss per share for the three months ended 30 June 2002 is based on the loss attributable to shareholders of approximately HK\$2,833,000 and the weighted average of 943,377,002 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

DIRECTORS' INTERESTS IN EQUITY

As at 30 June 2003, the interests or short positions of the Directors and chief executives of the Company in the shares and underlying shares 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 interests or short positions which they are taken or deemed to have 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 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director		Number of shares			Total interest in shares	% of the Company's issued share capital
		Personal interest	Family interest	Corporate interest		
Lau Hon Kwong, Vincent	Note	-	-	496,990,348	496,990,348	54.76
George Roger Manho		148,142,254	-	-	148,142,254	16.32
Cheng Kwok Hung	Note	16,961,000	-	496,990,348	513,951,348	56.63

Note: The shares under corporate interest are registered in the name of Rax-Comm (BVI) Limited which is owned as to 46.21% by Mr. Lau Hon Kwong, Vincent and 36.11% by Mr. Cheng Kwok Hung. Accordingly, Mr. Lau Hon Kwong, Vincent and Mr. Cheng Kwok Hung are deemed to be interested in all shares registered in the name of Rax-Comm (BVI) Limited.

DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 June 2003, the Directors have personal interests in share options to subscribe for shares in the Company which have been granted to them as follows:

	No. of options outstanding at the Period end	Date granted	Period during which options exercisable	No. of shares acquired on exercise of options during the Period	Price per share to be paid on exercise of options	Market value per share at date of grant of options	Market value per share on exercise of options
Lau Hon Kwong, Vincent	6,109,440	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095	N/A	-
George Roger Manho	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095	N/A	-
Cheng Kwok Hung	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095	N/A	-
Liu Hoi Wah	19,112,640	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095	N/A	-
Lee Peng Fei, Allen	1,760,000	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095	N/A	-

Save as disclosed above, as at 30 June 2003, none of the Directors, chief executives of the Company and their associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares or debentures 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 were taken or deemed to have 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 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Apart from the foregoing, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the paragraphs headed “Directors’ interests in equity” and “Directors’ right to acquire shares” above, as at 30 June 2003, according to the register of interests kept by the Company under Section 336 of the SFO, the following persons and entities have interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares	Percentage of shareholding
Rax-Comm (BVI) Limited (Note)	496,990,348	54.76%

Note: Rax-Comm (BVI) Limited is owned as to 46.21% by Mr. Lau Hon Kwong Vincent and 36.11% by Mr. Cheng Kwok Hung.

Save as disclosed above, as at 30 June 2003, the Directors are not aware of any other persons who has interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

As at 30 June 2003, options comprising an aggregate of 70,140,000 underlying shares to subscribe for shares in the Company at an exercise price of HK\$0.095 for each share (granted on 12 February 2001 under the Pre-IPO Scheme) were outstanding. Details of outstanding 34,982,080 pre-IPO share options granted to the Directors are set out in the previous section headed “Directors’ right to acquire shares”. The remaining options were all granted to employees. No options have been exercised or lapsed during the Period.

(b) Post-IPO Scheme

As at 30 June 2003, options granted under the Post-IPO Scheme comprising an aggregate of 15,536,000 underlying shares to subscribe for shares in the Company at a range of exercise price between HK\$0.195 to HK\$0.455 for each share were outstanding. The post-IPO share options were all granted to employees of the Company. The Post-IPO Scheme was terminated on 8 August 2002 and replaced by the 2002 Scheme.

Details of the outstanding post-IPO share options during the Period are as follows:

Dated granted	Outstanding as at 1 April 2003	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2003
10 April 2001	5,904,000	-	-	5,904,000
11 October 2001	8,436,000	-	804,000	7,632,000
28 December 2001	2,000,000	-	-	2,000,000
	<u>16,340,000</u>	<u>-</u>	<u>804,000</u>	<u>15,536,000</u>

(c) 2002 Scheme

On 8 August 2002, the Company adopted the 2002 Scheme under which the Board may at its discretion offer to any Eligible Person (as defined in the circular of the Company dated 19 June 2002) options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the 2002 Scheme are to recognise the significant contributions of the Eligible Persons to the growth of the Group.

On 9 August 2002, a total number of 9,900,000 share options were granted under the 2002 Scheme with an exercise price of HK\$0.175 per share. Out of this options granted, 6,400,000 options were granted with exercisable period from 9 February 2003 to 8 August 2012 and the rest were granted with exercisable period from 9 August 2003 to 8 August 2012.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period.

COMPETING INTERESTS

The Directors were not aware of any business or interest of each director, management shareholders 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the Period.

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors, Mr. Lee Peng Fei, Allen and Mr. Tsao Kwang Yung, Peter, and an executive director, Mr. Liu Hoi Wah. Mr. Lee Peng Fei, Allen was appointed the Chairman of the audit committee in compliance with the requirements as set out in Rules 5.23 to 5.27 of the GEM Listing Rules. The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems and the reports of the Group.

By order of the Board
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 11 August 2003

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