



ITE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 six months ended 30 September 2003 was approximately HK\$30,861,000, representing a decrease of approximately 32% over the turnover of approximately HK\$45,540,000 for the same period in 2002.

Loss attributable to shareholders for the six months ended 30 September 2003 amounted to approximately HK\$6,241,000 compared to loss attributable to shareholders of approximately HK\$5,965,000 for the same period in 2002.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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, 5 November 2003

BUSINESS REVIEW

Sales and Marketing

During the Period, the Group has been actively involved in bidding a number of sizeable government IT projects including the Smart ID Card driven Automated Passenger and Vehicle Clearance Systems of the HKSAR Government. A system demonstration was successfully completed in September 2003 with technical evaluation still undergoing. It is expected that 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.

Within the campus market, the Group has been awarded with projects from a number of new clients. The Lingnan University, Instituto Politecnico De Macau and Instituto De Formacao Turistica have joined our campus client list. ITE Smartcard Solutions Limited (“ITES”) is providing various smartcard management, access control and e-purse systems to meet the requirements of these universities. Besides, ITES continues to maintain stable sales in the local market. It has been awarded new contracts to supply and install hostel smartmeter and access control systems for the Hong Kong Polytechnic University, 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.

Within the real estates market, ITES has been awarded a contract from the Hong Lok Yuen Property Management Limited to provide the Hong Lok Yuen Villa with a ‘Hitag’ smartcard management and access control system. The system will also integrate with the Auto-Toll tag for vehicle identification purpose. This is going to be the first integrated application in Hong Kong deploying both Auto-Toll vehicle tagging and driver smartcard identification technologies. ITES has also kept approaching clients in the real estates market with several tenders submitted during the Period of which results are expected to be released in the next quarter.

In parallel, the Group is exploring business opportunities among various government departments and public organisations. ITES has been discussing with the Hong Kong Airport Authority on a pilot project for Frequent Traveler Scheme. It is expected that the pilot run contract will be awarded in the next quarter. An overseas biometrics project used for custody environment is currently under discussion, a pilot run will likely be launched in the next quarter.

Our subsidiary, Quesco Information Services Limited (“QISL”), has completed and launched the system integration project for Goldjoy Shopping Paradise in early September 2003. Engaged as the system integrator, QISL helps the shopping arcade in the implementation of the structural cabling, network equipment, computer hardware and peripherals, and a suite of business support software applications. During the Period, several enhancement and variation orders were received from the existing clients. The Group’s IT professional services division, Quesco Systems Limited (“QSL”) has maintained stable sales on the provision of contract and recruitment services to clients.

The Group's PRC operation subsidiary, 上海阿艾依智控系統有限公司 (ITE (China) Limited, "ITEC") has completed and delivered a number of projects deploying the platform of Shanghai Traffic Card, several new contracts have been awarded during the Period.

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. To cope with the technical requirements of Automated Passenger and Vehicle Clearance Systems, new products including CAN bus interface, auto-gate microcontroller, motor driven smartcard reader with multi-SAM slots, infrared sensor panel and related control software have been launched. New R&D effort has been paid on the development of low cost ISO14443B reader and reader with biometrics feature. These new products developed will further strengthen the technical features of system to be offered and will initiate new business opportunities, revenue and profit streams for the Group.

Future Prospect

Despite the loss, the Company is highly confident that both Hong Kong and the Company have gone through the toughest economic period. There are very good signs of economic recovery and turnaround with organisations increasing IT capital spending. New orders and enquiries have been actively received. While the Group has continued to consolidate operation and implement cost reduction measures, the performance outlook of the second half of the financial year will be very encouraging.

Financial Performance

For the Period, the Company recorded a total revenue of approximately HK\$30.86 million, representing a decrease of 32% over the same period in 2002. Loss attributable to the shareholders for the six months ended 30 September 2003 was approximately HK\$6.2 million as compared to a loss of approximately HK\$6.0 million for the corresponding period in 2002. The Directors are not proposing any interim dividend for the Period.

Segmental information

For the six months ended 30 September 2003, the Group recorded a drop in turnover for more than 32% when compared with the same period in last year. The reason for such decrease was mainly due to the slow down business in the electrical and mechanical engineering segment. As mentioned in our previous results announcement, the business nature of electrical and mechanical engineering is considered to be lower gross profit margin and longer credit period which means higher risk on receivables. Therefore, the Group is very cautious in bidding new contracts of this kind and resulting in significant drop in the turnover of this segment.

On the other hand, the Group had concentrated its resources on its core business development, i.e. to provide the smartcard and RFID systems and information technology services. Therefore, more effort had been placed in sales and marketing activities and R&D investments. This explained the reason of increase in turnover of smartcard and RFID systems and information technology services segment but slightly worse in the segment result.

For consultancy service segment, the revenue stream and margin remained rather stable. The significant increase in the segment result was due to well-define the respective costs on each segment during the Period. This would help on performance evaluation on each segment.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows and bank borrowings. At 30 September 2003, the current ratio of the Group was 1.75 (31 March 2003: 2.15) while the liquidity ratio was 1.61 (31 March 2003: 1.97).

Taking into consideration the banking facilities granted 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.

Capital structure of the Group

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping minimum exposure to foreign exchange risk. The Group's liquidity and financing arrangements are reviewed regularly.

Significant investments

The Group had no significant investments during the Period.

Material acquisitions or disposals of subsidiaries and affiliated companies

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

Employment information

At 30 September 2003, the Group had 192 full-time employees of which 175 are based in Hong Kong and the rest are in the PRC. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus systems, which is reviewed annually. Staff cost, including directors' emoluments, was approximately HK\$28.2 million for the six months ended 30 September 2003. Besides, the Company has also introduced share option schemes to recognise the contributions of the employees to the growth of the Group. The schemes have been or will be amended from time to time to take into account changes in market conditions and the GEM Listing Rules.

Charges on Group assets

At 30 September 2003, time deposits of approximately HK\$13,554,000 (31 March 2003: approximately HK\$13,511,000) were pledged to banks to secure certain banking facilities of the Group.

Future plans for material investments

The Group did not have any plans for material investment and acquisition of material capital assets as at 30 September 2003.

Gearing ratio

At 30 September 2003, 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 0.04 (31 March 2003: 0.06).

Exposure to fluctuations in exchange rates and any related hedges

Most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and Renminbi. As the exchange rate of Renminbi is fairly stable during the Period, the exchange rate risks of the Group were considered to be minimal. At 30 September 2003, no related hedges were made by the Group.

Contingent liabilities

At 30 September 2003, the Company had undertaken to guarantee certain banking facilities granted to two wholly-owned subsidiaries to the extent of HK\$32 million (31 March 2003: HK\$32 million).

INTERIM RESULTS

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three Months ended 30 September		Six Months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	16,307	21,732	30,861	45,540
Cost of services rendered		(13,200)	(19,472)	(26,448)	(40,120)
<u>Cost of goods sold</u>		<u>(125)</u>	<u>(199)</u>	<u>(235)</u>	<u>(333)</u>
		2,982	2,061	4,178	5,087
Other revenue		32	32	128	56
Other net gain/(loss)		-	(38)	6	(33)
Other staff costs		(1,675)	(1,280)	(3,450)	(4,024)
Depreciation and amortisation		(621)	(688)	(1,279)	(1,371)
<u>Other operating expenses</u>		<u>(3,334)</u>	<u>(3,070)</u>	<u>(5,453)</u>	<u>(5,450)</u>
Loss from operations		(2,616)	(2,983)	(5,870)	(5,735)
<u>Finance costs</u>		<u>(198)</u>	<u>(149)</u>	<u>(371)</u>	<u>(230)</u>
Loss from ordinary activities before taxation	3	(2,814)	(3,132)	(6,241)	(5,965)
<u>Taxation</u>	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss attributable to shareholders		(2,814)	(3,132)	(6,241)	(5,965)
Dividend	5	-	-	-	-
Loss per share	6				
Basic		(0.31 cent)	(0.34 cent)	(0.69 cent)	(0.66 cent)
<u>Diluted</u>		<u>-</u>	<u>(0.33 cent)</u>	<u>-</u>	<u>(0.63 cent)</u>

CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2003 HK\$'000 (Unaudited)	As at 31 March 2003 HK\$'000 (Audited)
Non-current assets			
Fixed assets	7	1,444	2,189
Goodwill	8	7,765	8,240
Investment securities		2,601	2,723
		11,810	13,152
Current assets			
Trading securities		133	63
Inventories		3,510	3,834
Trade and other receivables	9	21,115	23,693
Deposits and prepayment		2,378	1,979
Pledged bank balances		13,554	13,511
Bank and cash balances		1,933	1,821
		42,623	44,901
Current liabilities			
Creditors and accrued charges	10	11,935	12,771
Short term borrowings	11	10,695	6,405
Current portion of long term borrowings		1,667	1,667
		24,297	20,843
Net current assets		18,326	24,058
Total assets less current liabilities		30,136	37,210
Non-current liabilities			
Long term borrowings		1,250	2,083
Net assets		28,886	35,127
Capital and reserves			
Share capital	12	9,075	9,075
Reserves		19,811	26,052
Shareholders' funds		28,886	35,127

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Net cash used in operation activities	(3,211)	(3,876)
Net cash used in investing activities	(91)	(4,790)
<u>Net cash generated from financing</u>	<u>3,364</u>	<u>6,047</u>
Net increase/(decrease) in cash and cash equivalents	62	(2,619)
<u>Cash and cash equivalents at 1 April</u>	<u>13,479</u>	<u>14,799</u>
<u>Cash and cash equivalents at 30 September</u>	<u>13,541</u>	<u>12,180</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	1,933	1,669
Pledged bank balances	13,554	13,511
<u>Bank overdrafts</u>	<u>(1,946)</u>	<u>(3,000)</u>
<u>Cash and cash equivalents at 30 September</u>	<u>13,541</u>	<u>12,180</u>

UNAUDITED 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	
Balance at 1 April 2002	9,080	22,857	10,749	13,700	56,386
Repurchase of shares	(5)	(41)	-	-	(46)
<u>Loss for the period</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,965)</u>	<u>(5,965)</u>
<u>Balance at 30 September 2002</u>	<u>9,075</u>	<u>22,816</u>	<u>10,749</u>	<u>7,735</u>	<u>50,375</u>
Balance at 1 April 2003	9,075	22,816	10,749	(7,513)	35,127
<u>Loss for the Period</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,241)</u>	<u>(6,241)</u>
<u>Balance at 30 September 2003</u>	<u>9,075</u>	<u>22,816</u>	<u>10,749</u>	<u>(13,754)</u>	<u>28,886</u>

Notes:

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, and on a basis consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2003.

The financial statements 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 except that the Group has adopted the SSAP 12 (revised) “Income Taxes” issued by the Hong Kong Society of Accountants which was effective for accounting periods commencing on or after 1 January 2003. The adoption of SSAP 12 (revised) has no material impact on the Group’s interim financial statements.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. Turnover and segment information

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

Segment information is presented in respect of the Group's business and geographical segments as follows:

(a) Business segments

	Smartcard and RFID systems and information technology services		Consultancy services		Electrical and mechanical engineering		Unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
Revenue	8,338	5,616	21,823	21,945	700	15,786	-	2,193	30,861	45,540
RESULTS										
Segment result	(4,342)	(4,094)	2,160	163	104	1,591			(2,078)	(2,340)
Unallocated corporate revenue									128	56
Unallocated corporate expenses									(3,920)	(3,451)
Loss from operations									(5,870)	(5,735)
Finance costs									(371)	(230)
Loss attributable to shareholders									(6,241)	(5,965)
OTHER INFORMATION										
Depreciation and amortisation	1,109	1,218	170	153	-	-				
Impairment loss	216	-	-	-	-	-				

(b) Geographical segments

	2003 HK\$'000	2002 HK\$'000
Hong Kong	29,913	45,531
The PRC	948	9

3. Loss from ordinary activities before taxation

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

	Three Months ended		Six Months ended	
	30 September		30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance cost:				
Interest on bank loans and overdrafts	198	149	371	228
Finance lease charges	-	-	-	2
	<u>198</u>	<u>149</u>	<u>371</u>	<u>230</u>
Other items:				
Amortisation of goodwill	238	238	475	475
Cost of inventories	845	6,889	1,907	15,756
Depreciation:				
Owned fixed assets	377	447	792	890
Leased fixed assets	6	3	12	6
Impairment loss on investment securities	108	-	216	-
Operating lease charges: minimum lease payments				
for hire of properties	689	758	1,377	1,516
Staff costs including directors' emoluments and retirement benefit scheme contributions	<u>14,147</u>	<u>13,811</u>	<u>28,227</u>	<u>28,721</u>

4. Taxation

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the Period (six months ended 30 September 2002: Nil).

5. Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2003 (six months ended 30 September 2002: 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\$6,241,000 (six months ended 30 September 2002: approximately HK\$5,965,000) and the weighted average of 907,536,000 ordinary shares (six months ended 30 September 2002: 907,980,918 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 six months ended 30 September 2002 is based on the loss attributable to shareholders of approximately HK\$5,965,000 and the weighted average of 940,734,972 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

7. Fixed assets

During the six months ended 30 September 2003, the Group acquired fixed assets comprising computers and other equipment and computer software of HK\$65,460.

8. Goodwill

	HK\$'000
Cost:	
Additions arising on acquisition of subsidiaries and at 30 September 2003	<u>9,508</u>
Accumulated amortisation:	
At 1 April 2003	1,268
Amortisation for the Period	<u>475</u>
At 30 September 2003	<u>1,743</u>
Carrying amount:	
At 30 September 2003	<u>7,765</u>

9. Trade and other receivables

	At 30 September 2003 HK\$'000 (Unaudited)	At 31 March 2003 HK\$'000 (Audited)
Trade receivables	10,217	13,014
Other receivables	811	632
Gross amount due from customers for service contract work	8,891	7,080
Deferred maintenance cost	40	-
<u>Retention money receivables</u>	<u>1,156</u>	<u>2,967</u>
	<u>21,115</u>	<u>23,693</u>

Included in trade and other receivables are trade receivables, based on invoice date, with the following ageing analysis:

	At 30 September 2003 HK\$'000 (Unaudited)	At 31 March 2003 HK\$'000 (Audited)
Within 1 month	6,341	6,867
1 to 3 months	2,529	2,098
More than 3 months but less than 12 months	1,019	3,729
<u>More than 1 year but less than 2 years</u>	<u>328</u>	<u>320</u>
	10,217	13,014

10. Creditors and accrued charges

	At 30 September 2003 HK\$'000 (Unaudited)	At 31 March 2003 HK\$'000 (Audited)
Trade payables	2,487	2,505
Accrued charges and other payables	7,520	8,080
Gross amount due to customers for service contract work	203	368
Deferred maintenance income	850	943
<u>Retention money payables</u>	<u>875</u>	<u>875</u>
	11,935	12,771

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

	At 30 September 2003 HK\$'000 (Unaudited)	At 31 March 2003 HK\$'000 (Audited)
Within 1 month	917	977
1 month to 3 months	141	177
More than 3 months but less than 12 months	1,364	1,231
<u>More than 1 year but less than 2 years</u>	<u>65</u>	<u>120</u>
	2,487	2,505

11. Short term borrowings

	At 30 September 2003 HK\$'000 (Unaudited)	At 31 March 2003 HK\$'000 (Audited)
Secured bank loans	8,749	3,405
Bank overdraft	1,946	3,000
	10,695	6,405

12. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of \$0.01 each	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 April 2002	907,996,000	9,079,960
Repurchase of shares	(460,000)	(4,600)
At 31 March 2003	907,536,000	9,075,360
At 30 September 2003	907,536,000	9,075,360

DIRECTORS' INTERESTS IN EQUITY

At 30 September 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

At 30 September 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 September 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 September 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 September 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

At 30 September 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

At 30 September 2003, options granted under the Post-IPO Scheme comprising an aggregate of 14,544,000 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 at 1 April 2003	Exercised during the Period	Lapsed during the Period	Outstanding at 30 September 2003
10 April 2001	5,904,000	-	736,000	5,168,000
11 October 2001	8,436,000	-	1,060,000	7,376,000
28 December 2001	<u>2,000,000</u>	-	-	<u>2,000,000</u>
	<u>16,340,000</u>	-	<u>1,796,000</u>	<u>14,544,000</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. No options have been exercised or lapsed during the Period.

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

At 30 September 2003, 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, 5 November 2003

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from its date of publication and on the website of the Company at www.hkite.com.