



ITE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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 nine months ended 31 December 2003 was approximately HK\$47,698,000, representing a decrease of approximately 24% over the turnover of approximately HK\$63,105,000 for the same period in 2002.

Loss attributable to shareholders for the nine months ended 31 December 2003 amounted to approximately HK\$8,175,000 compared to loss attributable to shareholders of approximately HK\$10,983,000 for the same period in 2002.

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2003 (nine months ended 31 December 2002: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the unaudited consolidated results for ITE and its subsidiaries (together, the "Group") for the nine months ended 31 December 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, 9 February 2004

BUSINESS REVIEW

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

Sales and Marketing

During the Period, the Group has been actively involved in bidding a number of commercial and government IT projects.

Within the campus market, ITE Smartcard Solutions Limited (“ITES”) has been awarded with new projects from clients in Hong Kong and Macau. ITES has completed and delivered the campus smartcard management, turnstile access control and e-purse systems to the Macao Tourism and Casino Career Centre. New contract for the development of academic and staff information system and student profile enquiry portal was recently awarded and completion expected to be in mid of 2004. ITES has been awarded with the contract for the Frequent Traveler Scheme of the Hong Kong Airport Authority. The project is scheduled to be completed in January 2004. As very wide applications and business potentials can be derived from smartcard and RFID applications, extensive marketing efforts are being deployed to promote to this new client.

Within the real estate market, ITES has kept promoting our solutions to clients with several tenders submitted during the Period of which results are expected to be released in the next quarter. As to the overseas market, a fingerprint enrollment system used for custody environment has been awarded and delivered with further enhancement and new phases of implementation under discussion.

Our subsidiary, Qesco Systems Limited (“QSL”), has continued to excel in the staffing and recruitment sectors in Hong Kong. QSL has again achieved and exceeded its targets for 2003 and has set a new record by successfully maintaining and positioning a staff pool of more than 110 high quality IT Professionals. QSL continues to provide an exceptional personnel staffing resource for the current T20 contract for the Provision of Information Technology Contract Staff Services issued by the Government of the HKSAR in May 2002. The next contract for this service which the company is set to pursue is the T21. The T21 is due to be issued in the middle of 2004 with an expected contract commencement date of 1 December 2004.

Qesco Information Services Limited (“QISL”), the original systems integration division of QSL has actively pursued and successfully completed all awarded IT projects since being spun off from QSL to become its own entity in mid 2003. QISL has demonstrated its astute abilities, professionalism and technical expertise by completing the development and implementation of the Hall Information Management System (“HIMS”) project for the Hong Kong Polytechnic University (“PolyU”). Having successfully completed the project, QISL has been awarded a further project for the continued expansion of the functionalities of the HIMS along with the development of a new Hall Facilities Booking System (HFBS). The project is scheduled for implementation in phases with the overall project completion date set for September 2004.

The knowledge, experience and specific application know-how gained by the QISL teams throughout this and other significant IT projects has led to QISL being awarded further projects from new clients such as the implementation of the Elderly Home Management System (EHMS) for Sik Sik Yuen. The EHMS will automate the daily operations of the Home Administration and Medical & Nursing functions and facilities for the Sik Sik Yuen homes for the elderly. The overall project completion and implementation of the EHMS is being scheduled for August 2004.

Our China 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. A series of compact flash readers supporting ISO 14443 and ISO 15693 is being developed and expected to be launched in the next quarter.

Financial Performance

For the Period, the Company recorded a total revenue of approximately HK\$48 million, representing a decrease of 24% over the same period in 2002. Loss attributable to the shareholders for the nine months ended 31 December 2003 was approximately HK\$8 million as compared to a loss of approximately HK\$11 million for the corresponding period in 2002.

Future Prospect

With the Group's consolidation and cost reduction measures come into effect, the loss in the third quarter has been improved. The Board is also confident with the performance outlook in the new year of 2004.

QUARTERLY RESULTS

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three Months ended 31 December		Nine Months ended 31 December	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	16,837	17,565	47,698	63,105
Cost of services rendered		(13,912)	(19,257)	(40,360)	(59,377)
Cost of goods sold		(355)	(120)	(590)	(453)
		2,570	(1,812)	6,748	3,275
Other revenue		51	261	179	317
Other net gain/(loss)		(115)	27	(109)	(6)
Other staff costs		(1,677)	(1,644)	(5,127)	(5,668)
Depreciation and amortisation		(556)	(666)	(1,835)	(2,037)
Other operating expenses		(2,063)	(1,450)	(7,516)	(6,900)
Loss from operations		(1,790)	(5,284)	(7,660)	(11,019)
Finance costs		(144)	(182)	(515)	(412)
Loss from ordinary activities before taxation		(1,934)	(5,466)	(8,175)	(11,431)
Taxation	3	-	448	-	448
Loss attributable to shareholders		(1,934)	(5,018)	(8,175)	(10,983)
Dividend	4	-	-	-	-
Loss per share	5				
Basic		(0.21 cent)	(0.55 cent)	(0.90 cent)	(1.21 cent)
Diluted		-	(0.55 cent)	-	(1.18 cent)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves				Total
	Share	Share	Merger	Retained	
	capital	premium	reserve	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
Repurchase of shares	(5)	(41)	-	-	(46)
Loss for the period	-	-	-	(10,983)	(10,983)
Balance at 31 December 2002	9,075	22,816	10,749	2,717	45,357
Balance at 1 April 2003	9,075	22,816	10,749	(7,513)	35,127
Loss for the Period	-	-	-	(8,175)	(8,175)
Balance at 31 December 2003	9,075	22,816	10,749	(15,688)	26,952

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 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 financial statements.

2. Turnover

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.

3. Taxation

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the Period. For the nine months ended 31 December 2002, the taxation in the accounts represents the adjustment on over-provision of taxation in previous year.

4. Dividends

The directors do not recommend the payment of interim dividend for the nine months ended 31 December 2003 (nine months ended 31 December 2002: Nil).

5. 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\$8,175,000 (nine months ended 31 December 2002: approximately HK\$10,983,000) and the weighted average of 907,536,000 ordinary shares (nine months ended 31 December 2002: 907,832,073 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 nine months ended 31 December 2002 is based on the loss attributable to shareholders of approximately HK\$10,983,000 and the weighted average of 930,647,499 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

DIRECTORS' INTERESTS IN EQUITY

At 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2003, options granted under the Post-IPO Scheme comprising an aggregate of 14,332,000 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 31 December 2003
10 April 2001	5,904,000	-	736,000	5,168,000
11 October 2001	8,436,000	-	1,272,000	7,164,000
28 December 2001	2,000,000	-	-	2,000,000
	<u>16,340,000</u>	<u>-</u>	<u>2,008,000</u>	<u>14,332,000</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 31 December 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, 9 February 2004

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.