



# **ITE (HOLDINGS) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8092)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

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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 2004 was approximately HK\$26,263,000 representing a decrease of approximately 15% over the turnover of approximately HK\$30,861,000 for the same period in 2003.

Loss attributable to shareholders for the six months ended 30 September 2004 amounted to approximately HK\$2,868,000 compared to loss attributable to shareholders of approximately HK\$6,241,000 for the same period in 2003.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2004 (six months ended 30 September 2003: 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 2004 (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 system solutions and 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") and other countries in the Asia Pacific region.

### **Appreciation**

I would like to take this opportunity to express my deepest thanks to my directors, management and staff for their dedication and hard work, and shareholders, financiers and business partners for their continued support.

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

Hong Kong, 10 November 2004

## **BUSINESS REVIEW**

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

### **Sales and Marketing**

The Directors are pleased to announce the recent contract award of the Macau Customs' Automated Vehicle Clearance System to our bidding consortium. The contract award presents ITE's success in providing our sophisticated RFID solution to meet the stringent requirements of the government department, it is a strategic breakthrough in the business and technology side. The project will be completed in the year of 2005 with continual expansion in the future.

During the Period, ITE Smartcard Solutions Limited ("ITES") also participated in the tendering of Automated Passenger Clearance System for the Macau Immigration Department. Two technical evaluation demonstrations were passed. The Directors are highly optimistic towards the contract award within this fiscal year. This project covers the design, supply, delivery, installation, commissioning and maintenance of smartcard related hardware, software and IT services.

ITES also participated in a number of tendering and solutions promotion activities to various government departments of Macau. To cope with the rapid business development, our new wholly owned subsidiary, ITE Macau Limited ("ITEM"), was incorporated on 18 August 2004 aiming to provide better marketing, delivery and technical support to the emerging market.

Within the campus and real estate markets, the Group has been awarded with new contracts from a number of existing and new clients generating stable sales and recurring business.

During the Period, the Group has been actively involved in bidding a number of sizeable government IT projects both local and overseas. Quesco Information Services Limited ("QISL") has tendered for a larger scale application development project for Hong Kong Police Force, technical evaluation and demonstration have been completed and the result is expected to be announced before the end of the year. QISL has also been awarded new services contract by the Hong Kong Airport Authority.

During the Period, our PRC subsidiary, 上海阿艾依智控系統有限公司 (ITE (China) Limited, "ITEC") has been awarded a number of real estate smartcard projects deploying the platform of Shanghai Public Traffic Card ("SPTC"). The type approval of SPTC based parking payment system was completed, and the first installation at HongQiao Shanghai City, one of the prime office complexes in Shanghai, is undergoing. The sales force has been targeting this new market and a number of potential contracts are being negotiated.

Our subsidiary, Quesco Systems Limited ("QSL"), has continued to excel in the staffing and recruitment sectors in Hong Kong and maintains stable turnover.

## **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. The development of ISO 14443 Multi-Type A and B, and the all-new Near Field Communication enabled readers and solutions have started. RFT and ITES also entered into the Innovation and Technology Support Program with the Hong Kong University of Science and Technology and the Hong Kong Polytechnic University for the development of new Ultra High Frequency (“UHF”) RFID reader and tag and a food supply chain traceable system.

Continual research and development on products and features related to Automated Passenger and Vehicle Management System has become a long term strategy, it is expected that the e-Passport and e-Visa application trend will boost the demand of these smartcard and RFID driven automated clearance systems, it will definitely initiate new business opportunities, revenue and profit streams for the Group.

## **Caring the Community**

ITE strives to make Hong Kong a better place for all, and continues its support for worthy initiatives, the Directors also address the importance of sustainable development within the Group and for the society. During the Period, QSL has made donation to the Hong Kong Society for the Blind and participated in the Interactive Selective Placement Services of the Labour Department. Under the programme, hearing impairment personnel was employed and has been working in the Company harmoniously.

## **Future Prospect**

The loss in the Period has been greatly reduced thanks to our cost reduction measures, new business strategies and the economic recovery. The Directors will continue to improve the cost structure while allocating appropriate resources to pursue new business initiatives. We believe that with the number of potential contracts and new products drive, the Group’s performance outlook in the year of 2005 will be encouraging, a significant rebound in profitability is expected.

## **Financial Performance**

For the Period, the Company recorded a total revenue of approximately HK\$26.26 million, representing a decrease of 15% over the same period in 2003. Loss attributable to the shareholders for the six months ended 30 September 2004 was approximately HK\$2.87 million as compared to a loss of approximately HK\$6.24 million for the corresponding period in 2003. The Directors are not proposing any interim dividend for the Period.

### ***Segmental information***

For the six months ended 30 September 2004, the Group recorded a drop in turnover for about 15% 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. Together with the tighter cost control, the segment result had been improved significantly in spite of about 20% drop in the related revenue.

For consultancy service segment, the revenue stream had dropped for about 10%. However, with the tighter cost control, the segment result had been slightly improved.

### ***Liquidity and financial resources***

The Group generally financed its operations with its internally generated cash flows and bank borrowings. As at 30 September 2004, the group had outstanding borrowings of HK\$12,802,166, comprising short-term loans of HK\$7,131,547, bank overdraft of HK\$4,420,649 and installment loan of HK\$1,249,970. At 30 September 2004, the current ratio of the Group was 1.43 (31 March 2004: 1.58) while the liquidity ratio was 1.31 (31 March 2004: 1.46).

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 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.

### ***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 2004, the Group had 170 full-time employees (as at 31 March 2004: 171 full-time employees), of which 156 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 are reviewed annually. Staff cost, including directors' emoluments, was approximately HK\$24 million for the six months ended 30 September 2004. 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 2004, time deposits of HK\$13,587,640 (31 March 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 30 September 2004.

### ***Gearing ratio***

At 30 September 2004, 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 (31 March 2004: 0.02).

### ***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 2004, no related hedges were made by the Group.

### ***Contingent liabilities***

At 30 September 2004, the Company has undertaken to guarantee certain banking facilities granted to two wholly-owned subsidiaries to the extent of HK\$18.5 million (31 March 2004: HK\$18.5 million).

At 30 September 2004, the Group did not have any significant contingent liabilities (31 March 2004: Nil).

# INTERIM RESULTS

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three Months ended 30 September		Six Months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Turnover</b>	2	<b>14,297</b>	16,307	<b>26,263</b>	30,861
Cost of services rendered		<b>(10,999)</b>	(13,200)	<b>(21,253)</b>	(26,448)
Cost of goods sold		<b>(433)</b>	(125)	<b>(631)</b>	(235)
		<b>2,865</b>	2,982	<b>4,379</b>	4,178
Other revenue		<b>7</b>	32	<b>67</b>	128
Other net gain/(loss)		<b>(3)</b>	-	<b>9</b>	6
Other staff costs		<b>(1,496)</b>	(1,675)	<b>(2,999)</b>	(3,450)
Depreciation and amortisation		<b>(416)</b>	(621)	<b>(834)</b>	(1,279)
Other operating expenses		<b>(1,234)</b>	(3,334)	<b>(3,112)</b>	(5,453)
<b>Loss from operations</b>		<b>(277)</b>	(2,616)	<b>(2,490)</b>	(5,870)
Finance costs		<b>(194)</b>	(198)	<b>(378)</b>	(371)
<b>Loss from ordinary activities before taxation</b>	3	<b>(471)</b>	(2,814)	<b>(2,868)</b>	(6,241)
Taxation	4	-	-	-	-
<b>Loss attributable to shareholders</b>		<b>(471)</b>	(2,814)	<b>(2,868)</b>	(6,241)
<b>Dividend</b>	5	-	-	-	-
<b>Loss per share</b>	6				
Basic		<b>(0.05 cent)</b>	(0.31 cent)	<b>(0.32 cent)</b>	(0.69 cent)
Diluted		-	-	-	-

## CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2004 HK\$'000 (Unaudited)	As at 31 March 2004 HK\$'000 (Audited)
<b>Non-current assets</b>			
Fixed assets	7	1,114	1,366
Goodwill	8	6,814	7,290
Investment securities		2,367	2,484
		<b>10,295</b>	11,140
<b>Current assets</b>			
Trading securities		78	99
Inventories		2,641	2,642
Trade and other receivables	9	14,988	15,600
Deposits and prepayments		1,381	641
Pledged bank balances		13,588	13,585
Bank and cash balances		413	1,132
		<b>33,089</b>	33,699
<b>Current liabilities</b>			
Creditors and accrued charges	10	10,362	10,743
Short term borrowings	11	11,552	8,924
Current portion of long term secured bank loan		1,250	1,667
		<b>23,164</b>	21,334
<b>Net current assets</b>		<b>9,925</b>	12,365
<b>Total assets less current liabilities</b>		<b>20,220</b>	23,505
<b>Non-current liabilities</b>			
Secured bank loan		-	417
<b>Net assets</b>		<b>20,220</b>	23,088
<b>Capital and reserves</b>			
Share capital	12	9,075	9,075
Reserves		11,145	14,013
<b>Shareholders' funds</b>		<b>20,220</b>	23,088



## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six Months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	(2,450)	(3,211)
Net cash used in investing activities	(64)	(91)
Net cash (used in)/generated from financing activities	(831)	3,364
Net increase/(decrease) in cash and cash equivalents	(3,345)	62
Cash and cash equivalents at 1 April	(663)	(75)
Cash and cash equivalents at 30 September	(4,008)	(13)
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	413	1,933
Bank overdrafts	(4,421)	(1,946)
Cash and cash equivalents at 30 September	(4,008)	(13)

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>Reserves</b>				<b>Total</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Merger reserve</b>	<b>Accumulated losses</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Balance at 1 April 2003	9,075	22,816	10,749	(7,513)	35,127
Loss for the period	-	-	-	(6,241)	(6,241)
Balance at 30 September 2003	9,075	22,816	10,749	(13,754)	28,886
Balance at 1 April 2004	9,075	22,816	10,749	(19,552)	23,088
Loss for the Period	-	-	-	(2,868)	(2,868)
Balance at 30 September 2004	9,075	22,816	10,749	(22,420)	20,220

## Notes:

### 1. Basis of preparation

The unaudited interim financial statements (the “Financial Statements”) have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and on a basis consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2004.

The Financial Statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Financial Statements is historical cost as modified by the revaluation of trading securities. The accounting policies used in the preparation of the Financial Statements are consistent with the previous year.

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 systems, RFID and information technology services and related service contracts, information technology consultancy services, electrical and mechanical installation 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. 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 fee income	:	The provision of information technology consultancy services
Electrical and mechanical installation work	:	The provision of electrical and mechanical installation work

	Smartcard systems, RFID and information technology services		Consultancy services		Electrical and mechanical installation		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>								
Revenue	<b>6,613</b>	8,338	<b>19,564</b>	21,823	<b>86</b>	700	<b>26,263</b>	30,861
<b>RESULTS</b>								
Segment results	<b>(1,248)</b>	(4,342)	<b>2,016</b>	2,160	<b>(51)</b>	104	<b>717</b>	(2,078)
Unallocated corporate revenue							<b>67</b>	128
Unallocated corporate expenses							<b>(3,274)</b>	(3,920)
Loss from operations							<b>(2,490)</b>	(5,870)
Finance costs							<b>(378)</b>	(371)
Loss attributable to shareholders							<b>(2,868)</b>	(6,241)
<b>OTHER INFORMATION</b>								
Depreciation and amortisation	<b>258</b>	1,109	<b>84</b>	170	-	-		
Impairment loss	<b>117</b>	216	-	-	-	-		
Non-cash expenses other than depreciation, amortisation and impairment loss	-	-	-	-	-	-		

(b) Geographical segments

The Group participates in two principal environments, Hong Kong and the People's Republic of China (the "PRC") excluding Hong Kong.

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

	2004 HK\$'000	2003 HK\$'000
Hong Kong	<b>25,475</b>	29,913
The PRC excluding Hong Kong	<b>788</b>	948
	<b>26,263</b>	30,861

### 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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance cost:				
Interest on bank loans and overdrafts	<b>194</b>	198	<b>378</b>	371
Other items:				
Amortisation of goodwill	<b>238</b>	238	<b>476</b>	475
Cost of inventories	<b>696</b>	845	<b>718</b>	1,907
Depreciation:				
Owned fixed assets	<b>173</b>	377	<b>347</b>	792
Leased fixed assets	<b>6</b>	6	<b>12</b>	12
Impairment loss on investment securities	<b>58</b>	108	<b>117</b>	216
Operating lease charges: minimum lease payments for hire of properties	<b>305</b>	689	<b>611</b>	1,377
Staff costs including directors' emoluments and retirement benefit scheme contributions	<b>12,213</b>	14,147	<b>24,193</b>	28,227

### 4. Taxation

No provision for Hong Kong profits tax and overseas profits tax is required since the Group has no assessable profit for the Period (six months ended 30 September 2003: Nil).

### 5. Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2004 (six months ended 30 September 2003: 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\$2,868,000 (six months ended 30 September 2003: approximately HK\$6,241,000) and the weighted average of 907,536,000 ordinary shares (six months ended 30 September 2003: 907,536,000 shares) in issue during the respective periods.

(b) Diluted loss per share

No diluted loss per share is presented as there were no dilutive potential ordinary shares in existence during the Period and for the six months ended 30 September 2003.

**7. Fixed assets**

During the six months ended 30 September 2004, the Group acquired fixed assets comprising computers and other equipment and computer software of HK\$110,128.

**8. Goodwill**

	<b>HK\$'000</b>
Cost:	
At 1 April 2004 and 30 September 2004	9,508
Accumulated amortisation:	
At 1 April 2004	2,218
Amortisation for the Period	476
At 30 September 2004	2,694
Net book value:	
At 30 September 2004	6,814

**9. Trade and other receivables**

	<b>At 30 September 2004 HK\$'000 (Unaudited)</b>	<b>At 31 March 2004 HK\$'000 (Audited)</b>
Trade receivables	<b>8,212</b>	6,615
Other receivables	<b>688</b>	972
Gross amount due from customers for service contract work	<b>5,818</b>	7,059
Retention money receivables	<b>270</b>	954
	<b>14,988</b>	15,600

The Group has a policy of allowing its trade customers with credit period normally between 30 to 60 days or terms in accordance with contracts. The ageing analysis, based on invoice date, is as follows:

	At 30 September 2004 HK\$'000 (Unaudited)	At 31 March 2004 HK\$'000 (Audited)
Within 1 month	5,735	4,522
1 month to 3 months	1,218	815
More than 3 months but less than 12 months	284	979
More than 1 year but less than 2 years	975	299
	<b>8,212</b>	<b>6,615</b>

#### 10. Creditors and accrued charges

	At 30 September 2004 HK\$'000 (Unaudited)	At 31 March 2004 HK\$'000 (Audited)
Trade payables	1,567	1,307
Accrued charges and other payables	7,542	7,792
Gross amount due to customers for service contract work	74	486
Deferred maintenance income	816	795
Retention money payables	363	363
	<b>10,362</b>	<b>10,743</b>

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

	At 30 September 2004 HK\$'000 (Unaudited)	At 31 March 2004 HK\$'000 (Audited)
Within 1 month	783	250
1 month to 3 months	289	300
More than 3 months but less than 12 months	170	12
More than 1 year but less than 2 years	325	745
	<b>1,567</b>	<b>1,307</b>

## 11. Short term borrowings

	At 30 September 2004 HK\$'000 (Unaudited)	At 31 March 2004 HK\$'000 (Audited)
Secured bank loans	7,131	7,129
Bank overdraft	4,421	1,795
	<b>11,552</b>	<b>8,924</b>

## 12. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 April 2004 and 30 September 2004	907,536,000	9,075,360

## 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 30 September 2004, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 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 director</u>	Number of ordinary shares				<u>Total</u>	Percentage of issued share capital
	<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%

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 30 September 2004, 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 30 September 2004</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Number of shares acquired on exercise of options during the Period</u>	<u>Price per share to be paid on exercise of options</u>
Mr. Lau Hon Kwong, Vincent	6,109,440 (L)	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095
Mr. George Roger Manho	4,000,000 (L)	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095
Mr. Cheng Kwok Hung	4,000,000 (L)	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095
Mr. Liu Hoi Wah	19,112,640 (L)	12 February 2001	21 August 2001 to 11 February 2011	-	HK\$0.095
Mr. 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%
Mr. Lee Peng Fei, Allen	-	1,760,000 (L)	1,760,000 (L)	0.19%

Note: The Letter “L” denotes a long position in the shares.

Save as disclosed above, as at 30 September 2004, 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 Rule 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 30 September 2004, 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 30 September 2004, 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	87,701,000	9.66%

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 Period are as follows:

Name or category of participant	Number of share options				Outstanding at 30 September 2004	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 Period	Exercised during the Period	Lapsed during the Period					
<i>Pre-IPO Scheme</i>									
Lau Hon Kwong, Vincent /Director	6,109,440	-	-	-	6,109,440	12 February 2001	21 August 2001 to 11 February 2011	\$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	-	-	596,000	6,160,000	11 October 2001	11 October 2002 to 10 October 2004	\$0.350	\$0.300
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>5,628,000</u>	<u>8,160,000</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 \$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

Name or category of participant	Number of share options				Outstanding at 30 September 2004	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 Period	Exercised during the Period	Lapsed during the Period					
Employees	3,500,000	-	-	-	3,500,000	9 August 2002	9 August 2003 to 8 August 2012	\$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 30 September 2004, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO scheme and the 2002 Scheme was 70,140,000, 8,160,000 and 9,900,000, respectively, which represented approximately 9.72% in aggregate of the Company's shares in issue as at that date.

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 Period.

## **COMPETING INTERESTS**

As at 30 September 2004, 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.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the Period.

## **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive directors, Mr. Lee Peng Fei, Allen, Mr. Tsao Kwang Yung, Peter and Mr. Kam Hau Choi, Anthony, 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 5.28 to 5.33 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 annual report of the Group.

The audit committee has reviewed with the management the Financial Statements for the six months ended 30 September 2004 and is of the opinion that the contents contained in this report comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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

The Board comprises of:

**Lau Hon Kwong, Vincent** (*Executive director*)

**George Roger Manho** (*Executive director*)

**Cheng Kwok Hung** (*Executive director*)

**Liu Hoi Wah** (*Executive director*)

**Lee Peng Fei, Allen** (*Independent non-executive director*)

**Tsao Kwang Yung, Peter** (*Independent non-executive director*)

**Kam Hau Choi, Anthony** (*Independent non-executive director*)

Hong Kong, 10 November 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](http://www.hkite.com).*