



ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8092)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2004

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This announcement, for which the directors (the “Directors”) of ITE (Holdings) Limited (“ITE” or the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover of the Group for the nine months ended 31 December 2004 was approximately HK\$39,040,000 representing a decrease of approximately 18% over the turnover of approximately HK\$47,698,000 for the same period in 2003.

Loss attributable to shareholders for the nine months ended 31 December 2004 amounted to approximately HK\$3,612,000 compared to loss attributable to shareholders of approximately HK\$8,175,000 for the same period in 2003.

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2004 (nine months ended 31 December 2003: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the quarterly unaudited consolidated results for ITE and its subsidiaries (together, the "Group") for the nine months ended 31 December 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, 31 January 2005

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 that following the recent contract award of the Macau SAR Customs Service' Automated Vehicle Clearance System ("AVCS") to ITE Smartcard Solutions Limited ("ITES"), ITES has secured another critical smartcard project for the Macau SAR – the Automated Passenger Clearance System ("APCS") by the Public Security Forces Affairs Bureau ("DSFSM") Macau SAR. The contract award again reflects the sophisticated design and solution, the high levels of quality service and professionalism delivered by ITES.

The APCS is a very important and critical application system to be built on top of the Macau Smart ID card platform, 17 automated passenger clearance channels will be installed at the control points located at Barrier Gate Checkpoint. The project will be completed in 2005.

The AVCS is to be built on Ultra High Frequency (UHF) RFID technology, 25 automated vehicle clearance lanes will be set up at the control points located at Barrier Gate Checkpoint & COTAI Checkpoint. The project is also scheduled to be completed in 2005.

ITES is responsible for the overall design, supply, installation and maintenance services of these two key government projects. Our sophisticated design and solutions have been selected following a very strict, detailed and highly stringent evaluation process. These awards not only demonstrate our unique strength and capability within the smartcard and RFID industry in Asia, but also our uncompromising commitment to achieve the objectives and targets set forth in the Statement of Business Objectives as stated in our Initial Public Offer Prospectus to enter into the government identification and applications market.

During the Period, ITES has cooperated with Qesco Systems Limited ("QSL") and participated in the tendering of a large-scale card personalization and management system for a public authority, the demonstration has been scheduled in January 2005. It is expected that the result will be announced before end of this fiscal year.

We are pleased to announce that on 12 January 2005, QSL passed the ISO 9001:2000 Quality Assurance System audit carried out by BSI Management Systems Limited. QSL will be recommended by BSI for the accreditation of ISO 9001:2000 Certificate.

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 APCS’s sophisticated features and technical requirements have triggered a new R&D strategy. As computer-vision technology will be deployed for the persons detection feature, RFT is devoting resources to develop related software and hardware product lines to support the passage management requirements.

The Group is also glad to announce that the Requests to Record of our APCS patent Intellectual Property Department Patents Registry was published on 21 January 2005. The Group will continue to focus on the development and management of our intellectual property rights and proprietary rights. Knowledge and experience management have been defined as the core management objectives.

Caring the Community

ITE together with our staffs have responded quickly to the recent tsunami tragedy by making donations to the HK Red Cross South Asia Relief Fund and the Medecins Sans Frontiers HK LTD. We wish that the victims and affected regions would be recovered as soon as possible, and no similar disasters will ever happen again.

Being a good corporate citizen, ITES has launched the first sustainable development campaign for the smartcard industry; a smart-recycling and charity scheme has been structured for our clients’ participation.

Future Prospect

The Directors are confident that the efforts and investment made for the past two years are generating positive results and opportunities to the Group, we will be able to resume the profitability in the year 2005.

Financial Performance

For the Period, the Company recorded a total revenue of approximately HK\$39.04 million, representing a decrease of 18% over the same period in 2003. Loss attributable to the shareholders for the nine months ended 31 December 2004 was approximately HK\$3.61 million as compared to a loss of approximately HK\$8.18 million for the corresponding period in 2003. The Directors are not proposing any interim dividend for the Period.

QUARTERLY RESULTS

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three Months ended 31 December		Nine Months ended 31 December	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	12,777	16,837	39,040	47,698
Cost of services rendered		(10,248)	(13,912)	(31,501)	(40,360)
Cost of goods sold		(407)	(355)	(1,038)	(590)
		2,122	2,570	6,501	6,748
Other revenue		623	51	690	179
Other net gain/(loss)		(2)	(115)	7	(109)
Other staff costs		(1,501)	(1,677)	(4,500)	(5,127)
Depreciation and amortisation		(404)	(556)	(1,238)	(1,835)
Other operating expenses		(1,388)	(2,063)	(4,500)	(7,516)
Loss from operations		(550)	(1,790)	(3,040)	(7,660)
Finance costs		(194)	(144)	(572)	(515)
Loss from ordinary activities before taxation		(744)	(1,934)	(3,612)	(8,175)
Taxation	3	-	-	-	-
Loss attributable to shareholders		(744)	(1,934)	(3,612)	(8,175)
Dividend	4	-	-	-	-
Loss per share	5				
Basic		(0.08 cent)	(0.21 cent)	(0.40 cent)	(0.90 cent)
Diluted		-	-	-	-

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves				Total
	Share capital	Share premium	Merger reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
Balance at 1 April 2004	9,075	22,816	10,749	(19,552)	23,088
Loss for the Period	-	-	-	(3,612)	(3,612)
Balance at 31 December 2004	9,075	22,816	10,749	(23,164)	19,476

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

2. Turnover

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.

3. Taxation

No provision for Hong Kong profits tax and overseas profits tax is required since the Group has no assessable profit for the Period (nine months ended 31 December 2003: Nil).

4. Dividends

The directors do not recommend the payment of interim dividend for the nine months ended 31 December 2004 (nine months ended 31 December 2003: 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\$3,612,000 (nine months ended 31 December 2003: approximately HK\$8,175,000) and the weighted average of 907,536,000 ordinary shares (nine months ended 31 December 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 nine months ended 31 December 2003.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 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>Percentage of issued share capital</u>
	<u>Personal interests</u>	<u>Corporate interests</u>	<u>Family interests</u>	<u>Other interests</u>	<u>Total</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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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	55,301,000	6.09%

Note:

1. These shares have been disclosed as the corporate interests of the relevant directors in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations".
2. These shares have been disclosed as the personal interests of the director in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations".

SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Scheme") and a post-IPO share option scheme (the "Post-IPO Scheme") on 12 February 2001. In addition, the Company adopted a 2002 share option scheme (the "2002 Scheme") on 8 August 2002, and the Pre-IPO Scheme and the Post-IPO Scheme were simultaneously terminated. Upon termination of the Pre-IPO Scheme and the Post-IPO Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Pre-IPO Scheme and the Post-IPO Scheme shall remain in force. The outstanding options granted under the Pre-IPO Scheme and the Post-IPO Scheme shall continue to be subject to the provisions of the Pre-IPO Scheme and the Post-IPO Scheme, respectively, and the provisions of Chapter 23 of the GEM Listing Rules and the adoption of the 2002 Scheme will not in any event affect the terms in respect of such outstanding options.

(a) Pre-IPO Scheme and Post-IPO Scheme

As mentioned above, the Pre-IPO Scheme and the Post-IPO Scheme were terminated on 8 August 2002 and no further options may be offered thereunder. Details of the outstanding share options of these schemes during the Period are as follows:

Name or category of participant	Number of share options				Outstanding at 31 December 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	-	-	6,756,000	-	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>11,788,000</u>	<u>2,000,000</u>				

(b) 2002 Scheme

The Company operates the 2002 Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2002 Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, advisers and consultants, etc. The 2002 Scheme became effective on 8 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue. The maximum number of shares issuable under share options to each eligible participant in the 2002 Scheme and any other share option schemes of the Company within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share option granted to a director, chief executive or a substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of \$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 31 December 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 31 December 2004, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO scheme and the 2002 Scheme was 70,140,000, 2,000,000 and 9,900,000, respectively, which represented approximately 9.04% 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 31 December 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 nine months ended 31 December 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, 31 January 2005

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.