



ITE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

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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”) 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.

SUMMARY

Turnover of the Group for the six months ended 30 September 2002 was approximately HK\$45,540,000, representing an increase of approximately 77% over the turnover of approximately HK\$25,667,000 for the same period in 2001.

Loss attributable to shareholders for the six months ended 30 September 2002 amounted to HK\$5,965,000 compared to profit attributable to shareholders of HK\$6,245,000 for the same period in 2001.

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2002 (for the six months ended 30 September 2001: HK0.30 cent per share).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors, I hereby present the unaudited consolidated results for ITE and its subsidiaries (together, the "Group") for the six months ended 30 September 2002 (the "Period").

ITE has established a leading profile in the Hong Kong smartcard and radio frequency identification ("RFID") industry with proven track record and excellent reputation. The mission of the Group is to become the leading smartcard and RFID solutions provider and system integrator in the Asia Pacific region. With profound expertise, strong research and development ("R&D") capability, the Group has taken a proactive approach to introduce innovative and customised smartcard and RFID applications to its clients. Leveraging on its extensive industry experience, the Group is developing smartcard and RFID solutions for clients from many industries and expanding its business to the People's Republic of China (the "PRC") and other countries in the Asia Pacific region.

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

Business Review

The Group has continued to invest in R & D and develop new application systems based on various smartcard and RFID technologies. The Smart Key Management System ("SKMS"), Smart Keybox and Smart Keytag based on the latest RFID and ISO15693 smartlabel technology were launched during the Period. Especially designed and developed for high volume physical keys management, the SKMS provides a user friendly and cost-effective platform to governments, public administration as well as private organisations to tackle their tedious and labor-intensive physical key management. The Group has filed a patent for the system in Beijing as an intellectual property and the application has been preliminarily approved by the State Patent Office with application number 02136385.4 dated 5 August 2002.

To further develop and enhance the business's strength, the Group concentrated on forming alliances with certain smartcard related business partners and semiconductors manufacturers. Licensing and Security

Agreement had been signed with the worldwide leading German semiconductors manufacturer, Infineon Technologies AG. Such agreement covers the implementation of Infineon Proprietary Security Algorithm in Reader Firmware supporting the ISO15693 my-d secured version IC. RF Tech Limited, one of the Company's subsidiaries, had entered into a distributor agreement with an American company, Texas Instruments ("TI") for the marketing, sales and support of TI's RFID product ranges. ITE Smartcard Solutions Limited, another subsidiary of the Company, has also signed an agreement with an Australian smartcard technology company, Keycorp Limited, for being the sub-issuer of MULTOS. ITE Smartcard Solutions Limited is eligible to request enablement data to enable MULTOS card, application load certificate to load an application and application delete certificate to delete an application through a MIP.

Currently, the Group continues to introduce its RFID solutions, especially the ISO15693 smartlabel applications, to various government departments, public and private organisations. The Group has been awarded with the first ISO15693 smartlabel based fleet management project by the biggest bus operator in Hong Kong, the Kowloon Motor Bus Corporation. More than 13,000 pieces of smartlabel will be used for bus location tracking and fleet management. It is the first project of this kind ever implemented in Hong Kong. Being optimistic about the potential retail market, the Group has been actively approaching retail stores for further development on their loyalty scheme and customer relation management using the RFID technology.

During the Period, the Group continues to be awarded with new projects within the logistics market. The Group has been awarded with the contactless smartcard reader system for tractor identity card system by River Trade Terminal Co. Ltd. In addition, the Group keeps on being awarded with various smartcard related systems from campuses including access control, smartmetering and smartcard systems.

As one of the six sub-contractors of Octopus Access Control system, the Group continues to install this system for new clients. The Group had partnered with the world famous multi-brand fashion accessory powerhouse, Junghans Uhren GmbH, to exhibit the Octopus Smart Access Control and Turnstile System in the Hong Kong Watch & Clock Fair 2002.

Quesco Systems Limited ("Quesco"), a subsidiary of the Company, has launched the Linux Server for Small and Medium Enterprises ("SME") during the Period. The system, which supports multiple functions like access control, backup and webhost, provides SMEs with cost effective office server with all the functionality they need.

Within the huge PRC market, the Group has placed great effort on its business expansion. 上海阿艾依智控系統有限公司 (ITE (China) Limited), a subsidiary of the Company, commissioned the Shanghai Public Traffic Card based public parking payment system for the Shanghai Grand Gateway. Through the Shanghai Public Traffic Card application, the e-payment system provides the public car park with automatic payment function. It is the first system of this nature ever implemented in the PRC.

ITE (China) Limited has been actively involved in building up alliances with other technology and business partners. During the Period, the Group has entered into a strategic business agreement with the largest PDA manufacturer in the PRC, the Beijing Hi-Tech Wealth Electronic Product Co. Ltd. The cooperation mainly covers the integration of design, supply and services of ITE's smartcard and RFID readers with professional

PDA product line developed by Hi-Tech Wealth.

Stepping forward to professional management and quality assurance, ITE Smartcard Solutions Limited and ITE Engineering Limited, both being the subsidiaries of the Company, had passed the ISO9001:2000 Quality Assurance System audit carried out by BSI Management Systems Limited during the Period. Both subsidiaries will be recommended by BSI for the accreditation of ISO9001:2000 Certificates.

Financial performance

For the Period, the Group recorded a total revenue of approximately HK\$45,540,000, representing an increase of 77 % over the same period in 2001. Loss attributable to the shareholders for the six months ended 30 September 2002 was approximately HK\$5,965,000 as compared to a profit of approximately HK\$6,245,000 for the same period in 2001. The Directors do not recommend the payment of any interim dividend for the Period.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows and bank borrowings. During the Period, a bank loan of HK\$5,000,000 bore interest of 5.125% per annum was drawn down, which was applied as general working capital for the Group's business operation. The bank loan will be repaid by monthly installment over three years. The current ratio of the Group was 3.37 as at 30 September 2002 compared to 3.24 as at 31 March 2002. The liquidity ratio was 3.15 as at 30 September 2002 compared to 3.06 as at 31 March 2002.

The Group expresses its gearing ratio as a percentage of secured bank loans due after one year over shareholders' equity. As at 30 September 2002, the Group's gearing ratio was 0.058 (2001: Nil).

Capital structure of the Group

There were no changes in the Company's capital structure during the Period.

Material investment and capital assets

Other than those disclosed in the Company's prospectus dated 15 February 2001 (the "Prospectus") under the section headed "Statement of Business Objectives", the Group did not have any plans for material investment and acquisition of material capital assets as at 30 September 2002.

Number and remuneration of employees

As at 30 September 2002, the Group had 190 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. 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

As at 30 September 2002, time deposits of approximately HK\$13,448,000 (30 September 2001: Nil) were pledged to banks to secure certain banking facilities of the Group.

Exposure to fluctuations in exchange rates and any related hedges

As most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and Renminbi, the exchange rate risks of the Group were considered to be minimal. As at 30 September 2002, no related hedges were made by the Group.

Contingent liabilities

As at 30 September 2002, the Company had undertaken to guarantee certain banking facilities granted to its wholly-owned subsidiaries.

Owing to uncertainty about the local economic recovery, the Group is still under significant economic pressure. Continuing dropping in demand for sophisticated multi-applications smartcard solutions affected the profit margins for the past six months. Despite the difficult market environment, the Group has continued its quick expansion into the rapid growing PRC market, its development in new business and revenue streams, and the cutting of overhead costs, the Directors are highly confident in the sales and profit outlook of the second half.

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, 8 November 2002

INTERIM RESULTS

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Three Months ended 30 September		Six Months ended 30 September	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	2	21,732	11,388	45,540	25,667
Cost of services rendered		(19,472)	(5,527)	(40,120)	(10,529)
Cost of goods sold		(199)	-	(333)	-
		2,061	5,861	5,087	15,138
Other revenue		32	196	56	539
Other net (loss)/gain		(38)	29	(33)	3
Staff costs		(1,280)	(2,543)	(4,024)	(5,296)
Depreciation and amortisation		(688)	(277)	(1,371)	(515)
Other operating expenses		(3,070)	(1,676)	(5,450)	(2,488)
(Loss)/Profit from operations		(2,983)	1,590	(5,735)	7,381
Finance costs		(149)	(3)	(230)	(6)
(Loss)/Profit from ordinary activities before taxation	3	(3,132)	1,587	(5,965)	7,375
Taxation	4	-	(230)	-	(1,130)
(Loss)/Profit attributable to shareholders		(3,132)	1,357	(5,965)	6,245
Dividends attributable to shareholders					
Interim dividend declared and paid	5	-	2,724	-	2,724
(Loss)/Earnings per share	6				
Basic		(0.34 cents)	0.15 cents	(0.66 cents)	0.69 cents
Diluted		(0.33 cents)	0.14 cents	(0.63 cents)	0.65 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2002 HK\$'000 (unaudited)	As at 31 March 2002 HK\$'000 (audited)
Non-current assets			
Fixed assets	7	2,651	3,293
Goodwill	8	8,716	9,191
		11,367	12,484
Current assets			
Current investments		113	132
Inventories		3,833	3,519
Trade and other receivables	9	43,552	45,049
Cash and cash equivalents		12,180	14,799
		59,678	63,499
Current liabilities			
Creditors and accrued charges	10	14,071	15,139
Current portion of secured bank loans		3,228	3,886
Current portion of obligations under finance leases		10	50
Taxation		409	522
		17,718	19,597
Net current assets		41,960	43,902
Non-current liabilities			
Secured bank loans		2,917	-
Obligations under finance leases		35	-
		2,952	-
Net assets		50,375	56,386
Capital and reserves			
Share capital	11	9,075	9,080
Reserves	12	41,300	47,306
		50,375	56,386

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

	Six Months ended	
	30 September	
	2002	2001
	HK'000	HK'000
	(Unaudited)	(Unaudited)
Net cash outflow from operation activities	(3,876)	(8,827)
Net cash inflow (outflow) from returns on investments and servicing of finance	(175)	520
Net cash outflow from investing activities	(4,615)	(1,159)
Net cash inflow from financing	6,047	537
Decrease in cash and cash equivalents	(2,619)	(8,929)
Cash and cash equivalents as 1 April	14,799	37,992
Cash and cash equivalents as 30 September	12,180	29,063
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	15,180	29,063
Bank overdraft	(3,000)	-
	12,180	29,063

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 2002.

2. Turnover and segment information

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

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

(a) Business segments

	Smartcard systems services		Consultancy service		Electrical and mechanical installation		Inter-segement elimination		Unallocated		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Revenue from external customers	5,616	21,118	21,945	-	15,786	4,017	-	-	2,193	532	45,540	25,667
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue from external customers	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,616	21,118	21,945	-	15,786	4,017	-	-	2,193	532	45,540	25,667
Segment result	(4,094)	6,790	163	-	1,591	1,233					(2,340)	8,023
Unallocated operating income and expenses											(3,395)	(642)
Profit from operations											(5,735)	7,381
Finance costs											(230)	(6)
Taxation											-	(1,130)
Profit attributable to shareholders											(5,965)	6,245
Depreciation and amortisation	1,218	515	153	-	-	-						
Significant non-cash expenses	-	-	-	-	-	-						

(b) Geographical segments

	2002 HK\$'000	2001 HK\$'000
Hong Kong	45,531	25,667
The PRC	9	-

3. (Loss)/Profit from ordinary activities before taxation

(Loss)/Profit from ordinary activities before taxation is stated after crediting and charging the following:

	Three Months ended		Six Months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance charges on obligations under finance lease:	-	2	2	4
Interest on bank loans and overdrafts	149	1	228	2
Operating lease charges: minimum lease payments				
for hire of properties	758	396	1,516	766
Retirement costs	425	106	836	203
Depreciation	450	277	896	515
Amortisation	238	-	475	-

4. Taxation

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2002 as the Group did not generate any assessable profit arising in Hong Kong during the Period. For the six months ended 30 September 2001, the provision of Hong Kong profits tax has been calculated at the rate of 16%.

No provision for PRC income tax has been made in the account as the Group has no assessable profits arising in PRC for the six months ended 30 September 2002 and the corresponding period in 2001.

5. Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2002 (six months ended 30 September 2001: HK\$2,723,988).

6. (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic loss (2001: earnings) per share for the Period is based on the loss attributable to shareholders of approximately HK\$5,965,000 (six months ended 30 September 2001: profit approximately HK\$6,245,000) and the weighted average of 907,980,918 ordinary shares (six months ended 30 September 2001: 899,256,765 shares after adjusting for the bonus issue in 2002) in issue during the respective periods.

(b) Diluted (loss)/earnings per share

The calculation of diluted loss (2001: earnings) per share for the Period is based on the loss attributable to shareholders of approximately HK\$5,965,000 (six months ended 30 September 2001: profit approximately HK\$6,245,000) and the weighted average of 940,734,972 ordinary shares (six months ended 30 September 2001: 965,862,450 share after adjusting for the bonus issue in 2002) after adjusting for the effects of all dilutive potential ordinary shares.

7. Fixed assets

During the six months ended 30 September 2002, the Group acquired fixed assets comprising computers and other equipment, leasehold improvements and computer software of HK\$186,494.

8. Goodwill

	HK\$'000
Cost:	
Additions arising on acquisition of subsidiaries and at 30 September 2002	<u>9,508</u>
Accumulated amortisation:	
As at 1 April 2002	317
Amortisation for the Period	<u>475</u>
As at 30 September 2002	<u>792</u>
Carrying amount:	
At 30 September 2002	<u>8,716</u>

9. Trade and other receivables

	As at 30 September 2002 HK\$'000 (Unaudited)	As at 31 March 2002 HK\$'000 (Audited)
Trade debtors	18,640	16,961
Deposits and prepayments	4,561	4,613
Gross amount due from customers for service contract work	18,072	21,780
<u>Retention money receivables</u>	<u>2,279</u>	1,695
	<u>43,552</u>	45,049

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

	As at 30 September 2002 HK\$'000 (Unaudited)	As at 31 March 2002 HK\$'000 (Audited)
Within 1 month	7,244	6,495
1 to 3 months	6,277	5,687
More than 3 months but less than 12 months	3,275	1,727
More than 1 year but less than 2 years	1,844	3,052
	18,640	16,961

10. Creditors and accrued charges

	As at 30 September 2002 HK\$'000 (Unaudited)	As at 31 March 2002 HK\$'000 (Audited)
Trade creditors	4,132	4,427
Accrued charges and other payables	8,874	10,048
Gross amount due to customers for service contract work	559	533
Deferred maintenance income	506	131
	14,071	15,139

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

	As at 30 September 2002 HK\$'000 (Unaudited)	As at 31 March 2002 HK\$'000 (Audited)
Due with 1 month or on demand	925	2,703
Due after 1 month but within 3 months	2,800	1,312
Due after 3 months but within 12 months	407	412
	4,132	4,427

11. 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 2001	449,068,000	4,490,680
Bonus issue	449,068,000	4,490,680
Share issued under share option scheme	9,860,000	98,600
At 31 March 2002	907,996,000	9,079,960
Repurchase of shares	(460,000)	(4,600)
At 30 September 2002	907,536,000	9,075,360

- (a) On 12 June 2001, the directors recommended a bonus issue of one new ordinary share for every one then existing ordinary share of HK\$0.01 each, credited as fully paid, to shareholders whose names appeared on the register of members at the close of business on 29 June 2001. Upon the shareholders' approval at the annual general meeting of the Company held on 10 July 2001, the bonus shares were allotted and dispatched in July 2001.
- (b) On 27 August 2001, options were exercised at a price of HK\$0.095 each to subscribe for 5,860,000 ordinary shares in the Company at a consideration of HK\$556,700 of which HK\$58,600 was credited to share capital and the balance of HK\$498,100 was credited to the share premium account.
- (c) On 4 October 2001, options were exercised at a price of HK\$0.095 each to subscribe for 4,000,000 ordinary shares in the Company at a consideration of HK\$380,000 of which HK\$40,000 was credited to share capital and the balance of HK\$340,000 was credited to the share premium account.
- (d) On 25 September 2002, the Company repurchased on the Stock Exchange a total of 460,000 ordinary shares of HK\$0.01 each in the share capital of the Company at an aggregate cost of HK\$45,162 of which \$4,600 was credited to share capital and the balance of HK\$40,562 was credited to the share premium account.

12. Movement of reserves

	Share premium HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Total HK\$'000
At 1 April 2001	26,509	11,590	10,749	48,848
Bonus issue	(4,490)	-	-	(4,490)
Share options exercised	498	-	-	498
Profit for the period	-	6,245	-	6,245
Interim dividend	-	(2,724)	-	(2,724)
At 30 September 2001	22,517	15,111	10,749	48,377
At 1 April 2002	22,857	13,700	10,749	47,306
Share repurchase	(41)	-	-	(41)
Loss for the period	-	(5,965)	-	(5,965)
At 30 September 2002	22,816	7,735	10,749	41,300

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30 September 2002, the Company had been notified of the following interests, being 10% or more of the issued share capital of the Company:

	Ordinary shares held	Percentage of total issued shares
Rax-Comm (BVI) Limited (Note 1)	496,990,348	54.76%
George Roger Manho (Note 2)	148,142,254	16.32%

Note 1: These shares have been disclosed as the corporate interests of the relevant directors in the paragraph "Directors' interests in shares".

Note 2: These shares have been disclosed as the personal interests of the director in the paragraph "Directors' interests in shares".

DIRECTORS' INTERESTS IN SHARES

The Directors who held office at 30 September 2002 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' share interests:

	Ordinary shares of HK\$0.01 each			
	Personal interests	Family interests	Corporate interests	Other interests
Lau Hon Kwong, Vincent (Note)	-	-	496,990,348	-
George Roger Manho	148,142,254	-	-	-
Cheng Kwok Hung (Note)	16,961,000	-	496,990,348	-

Note: At 30 September 2002, Mr. Lau Hon Kwong, Vincent and Mr. Cheng Kwok Hung were substantial shareholders of Rax-Comm (BVI) Limited which beneficially held 496,990,348 shares, representing 54.76% interest, in the Company.

As at 30 September 2002, 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.

	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	Nil	HK\$0.095	HK\$0.375	-
George Roger Manho	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-
Cheng Kwok Hung	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-
Liu Hoi Wah	19,112,640	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-
Lee Peng Fei, Allen	1,760,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-

Apart from the foregoing, at no time during the Period was the Company, any of its holding company, or subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Scheme”) and post-IPO share option scheme (the “Post-IPO Scheme”) on 12 February 2001. The summary of the principal terms of the Pre-IPO Scheme and the Post-IPO Scheme is set out in Appendix V to the Prospectus under the section headed “Share Option Scheme”.

(a) Pre-IPO Scheme

As at 30 September 2002, 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 2002 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’ interests in shares” in this report. The remaining options were all granted to employees. No options have been exercised or lapsed during the Period.

(b) Post-IPO Scheme

As at 30 September 2002, options granted under the Post-IPO Scheme comprising an aggregate of 17,464,000 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 Share Option Scheme.

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

Dated granted	Outstanding as at 1 April 2002	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 September 2002
10 April 2001	7,856,000	-	1,496,000	6,360,000
11 October 2001	9,652,000	-	548,000	9,104,000
28 December 2001	2,000,000	-	-	2,000,000
	19,508,000	-	2,044,000	17,464,000

(c) 2002 Share Option Scheme

On 8 August 2002, the Company adopted the 2002 Share Option 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 Share Option Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the 2002 Share Option

Scheme are to recognise the significant contributions of the Eligible Persons to the growth of the Group. The Pre-IPO Scheme and Post-IPO Scheme were simultaneously terminated but the options which have been granted during the life of the said options schemes shall continue to be exercisable in accordance with their respective terms of issue and in all other respects the provisions of the said option schemes shall remain in full force and effect.

On 9 August 2002, 9,900,000 options were granted under the 2002 Share Option Scheme to subscribe for the shares in the Company at an exercise price of HK\$0.175 for each share. All these options remained outstanding as at 30 September 2002.

In assessing the value of the share options granted during the Period, the Black-Scholes option pricing model has been used. The weighted average value per option granted during the Period estimated at the date of granted was HK\$0.0715 (six months ended 30 September 2001: HK\$0.0646). The weighted average assumptions used are as follows:

	Six Months ended 30 September 2002	Six Months ended 30 September 2001
Risk-free interest rate	3.32%	5.39%
Expected life (in years)	9.32	2
Volatility	55.6%	35.35%
Expected dividend per share	HK\$0.003	HK\$0.003

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

PURCHASE, SALE AND REDEMPTION OF SHARES

On 25 September 2002, the Company repurchased on the Stock Exchange a total of 460,000 ordinary shares of HK\$0.01 each in the share capital of the Company at an aggregate cost of HK\$45,162. The Directors considered that the above repurchases were made with a view to enhancing the net asset and earnings per share of the Company. Those shares were cancelled shortly after repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, 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 2002, 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

During the Period, the Company complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures.

AUDIT COMMITTEE

The audit committee comprises two independent non-executive Directors, namely Lee Peng Fei, Allen and Tsao Kwang Yung, Peter, and Liu Hoi Wah, an executive Director. 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.

SPONSOR'S INTERESTS

DBS Asia Capital Limited ("DBS Asia") has been appointed as the continuing sponsor of the Company for the purpose of the GEM Listing Rules. Pursuant to the sponsorship agreement entered into between the Company and DBS Asia, for a fee, DBS Asia acts as the Company's continuing sponsor for the period from 21 February 2001 to 31 March 2003.

As updated and notified by DBS Asia, DBS Asia, its directors, employees and associates (as defined in the GEM Listing Rules) did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 September 2002.

By order of the Board
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 8 November 2002

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.