



ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

FINAL RESULTS

The board (the “Board”) of Directors of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2004, together with the comparative audited figures for the previous year.

Consolidated Income Statement

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	2	61,843	77,302
Cost of services rendered		(52,051)	(74,852)
<u>Cost of goods sold</u>		<u>(679)</u>	<u>(560)</u>
		9,113	1,890
Other revenue		516	347
Other net loss		(88)	(23)
Other staff costs		(6,760)	(7,706)
Depreciation and amortisation		(2,260)	(2,657)
<u>Other operating expenses</u>		<u>(11,838)</u>	<u>(12,650)</u>
Loss from operations		(11,317)	(20,799)
<u>Finance costs</u>		<u>(721)</u>	<u>(582)</u>
Loss from ordinary activities before taxation	3	(12,038)	(21,381)
<u>Taxation</u>	4	<u>-</u>	<u>167</u>
Loss attributable to shareholders		(12,038)	(21,214)
<u>Dividend</u>	5	<u>-</u>	<u>-</u>
Loss per share	6		
Basic		(1.33 cents)	(2.34 cents)
<u>Diluted</u>		<u>N/A</u>	<u>(2.28 cents)</u>

Consolidated Statement of Changes in Equity

	Reserves				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	
Balance at 1 April 2002	9,080	22,857	10,749	13,700	56,386
Repurchase of shares	(5)	(41)	-	-	(46)
Loss for the year	-	-	-	(21,214)	(21,214)
Balance at 31 March 2003	9,075	22,816	10,749	(7,514)	35,126
Loss for the year	-	-	-	(12,038)	(12,038)
Balance at 31 March 2004	9,075	22,816	10,749	(19,552)	23,088

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the GEM Listing Rules. 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 except that the Group has adopted the revised SSAP 12 “Income taxes” which became effective for the current financial year. The adoption of the revised statement has not had any material effect on the results for the current year or prior accounting periods.

2. Segment information

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 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER								
Revenue	16,437	14,921	44,534	46,103	872	16,278	61,843	77,302
RESULTS								
Segment results	(11,582)	(15,509)	3,925	3,414	(162)	(3,705)	(7,819)	(15,800)
Unallocated corporate revenue							516	347
Unallocated corporate expenses							(4,014)	(5,346)
Loss from operations							(11,317)	(20,799)
Finance costs							(721)	(582)
Loss before taxation							(12,038)	(21,381)
Taxation							-	167
Loss attributable to shareholders							(12,038)	(21,214)
Depreciation and amortisation	966	618	291	239	-	-		
Impairment loss	238	108	-	-	-	-		
Non-cash expenses other than depreciation, amortisation and impairment loss	-	3,672	498	-	-	500		

(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	2003
	HK\$'000	HK\$'000
Hong Kong	59,221	77,159
<u>The PRC excluding Hong Kong</u>	<u>2,622</u>	<u>143</u>
	<u>61,843</u>	<u>77,302</u>

3. Loss from ordinary activities before taxation

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

	2004	2003
	HK\$'000	HK\$'000
Finance costs:		
Interest on bank loans and overdrafts	721	581
Finance lease charges	-	1
	<u>721</u>	<u>582</u>
Other items:		
Amortisation of goodwill	951	951
Auditors' remuneration	282	322
Bad debts written off	-	4,172
Cost of inventories	3,455	9,403
Depreciation:		
Owned fixed assets	1,309	1,681
Leased fixed assets	-	25
Impairment loss on investment securities	238	108
Operating lease charges: minimum lease payments for hire of properties	1,874	2,677
Provision for doubtful debts	498	-
Staff costs including directors' emoluments and retirement benefit scheme contributions	<u>56,114</u>	<u>60,301</u>

4. Taxation

	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
- overprovision in previous year	-	<u>167</u>

No provision for Hong Kong profits tax and overseas profits tax is required since the Group has no assessable profit for the year.

5. Dividend

No interim dividend (2003: HK\$Nil) was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 31 March 2004 (2003: HK\$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\$12,038,000 (2003: approximately HK\$21,214,000) and the weighted average of 907,536,000 ordinary shares (2003: 907,759,068 ordinary shares) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented for the year as there were no dilutive potential ordinary shares in existence during the year.

The calculation of diluted loss per share of last year is based on the loss attributable to shareholders of approximately HK\$21,214,000 and the weighted average of 930,321,740 ordinary shares after adjusting for the effects of all potential dilutive ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sales and Marketing Activities

Our PRC subsidiary, 上海阿艾依智控系統有限公司 (ITE (China) Limited, "ITEC") has completed and delivered a number of projects deploying the platform of Shanghai Public Traffic Card ("SPTC"), several new contracts have been awarded during the year. ITEC has continued to develop the new generation of SPTC based parking payment system on an exclusive basis with SPTC to target for the Shanghai parking market, it is expected to launch in the 2nd quarter of the fiscal year of 2005. ITEC has continued to market the ISO 15693 smartlabel products and solutions to potential clients in China.

Within the campus and real estates market, ITES has been awarded with new contracts from old and new clients in Hong Kong and Macau. In December 2003, ITES exhibited our "All-in-one Campus Smartcard" Solutions and latest RFID technology in the Conference on Computers in Education (ICCE 2003). We presented and shared our products and solution knowledge with a number of potential clients and partners. It is expected the revenue from campus and real estates market will continue to remain stable in the fiscal year of 2005.

ITES has actively promoted our solutions and services to the government and public sectors. The Frequent Traveler Scheme of the Hong Kong Airport Authority and the Macau Prison projects were successfully completed. As very wide applications and business potentials can be derived from smartcard and RFID applications, extensive marketing efforts are being deployed to promote such.

The Group has paid significant effort in tendering for important and sizeable projects and has approached potential IT, smartcard and RFID based solution users. ITES has recently teamed with our partner to pursue a few government smartcard and RFID projects including the automated vehicle clearance system in Macau, the result of award is expected to announce in the 3rd quarter of 2004.

During the year, our subsidiary, Quesco Information Services Limited ("QISL") has been awarded contracts for the development of a new Hall Facilities Booking System (HFBS) by the Hong Kong Polytechnic University and the Elderly Home Management System (EHMS) by the Sik Sik Yuen. The projects completion and implementation are within the fiscal year of 2005. QISL is also participating the re-tender of a sizeable government IT project which QISL participated two years ago, the result of award is expected to announce in the 2nd quarter of the fiscal year of 2005.

Our subsidiary, Quesco Systems Limited ("QSL"), has continued to excel in the staffing and recruitment sectors in Hong Kong and provide an exceptional personnel staffing resource for the current T20 contract for the Provision of Information Technology Contract Staff Services issued by the Hong Kong Government. The next contract for this service which QSL is set to pursue is the T21 which will likely be issued in late 2004.

Research and Development

With the very fast growing adoption of RFID technology in the manufacturing and logistics industries and the new emerging standard of Electronic Product Code ("EPC"), the Group has been actively forming commercial and technology alliances with certain overseas partners. Along with the ongoing R&D in 13.56Mhz product line, the Group's product arm, RF Tech Limited ("RFT"), has started the development of new Ultra High Frequency ("UHF") RFID products and application systems. It is expected that the EPC/UHF RFID technology will become a new drive force of the Group.

During the year, a series of compact flash readers supporting ISO 14443 and ISO 15693 have been developed and launched in the market. The Group is currently setting up new distribution channels for the product line. Besides, a product line of automated passenger management system has been developed with a patent filing to the State Patent Office in Beijing on 6 June 2003 (Application No. 03129119.8).

Future Prospect

With the Group's restructuring exercises, cost reduction measures and business focus swap come into effect, the loss for the year has been reduced significantly compared with last year's historic loss result even though we have gone through the SARS attack. The Directors believe that the Group has passed through the worst and toughest period and managed to respond to the changes in the smartcard and information technology industries. With the successful formation of new marketplaces, clients and product lines, we are confident with the performance outlook and profitability in the fiscal year of 2005.

Financial Performance

For the year ended 31 March 2004, the Group recorded a total revenue of approximately HK\$62 million, representing a decrease of 20% over last year. Loss attributable to the shareholders for the year ended 31 March 2004 was approximately HK\$12 million as compared to a loss of approximately HK\$21 million for the last year.

Segmental Information

During the year, the Group recorded a drop in turnover for about 20% when compared with last year. The reason for such decrease was mainly due to the slow down business in the electrical and mechanical engineering segment. 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. More effort had been placed in sales and marketing activities and R&D investments. Therefore, with such worse economic conditions during the year, the turnover of this segment was increased for more than 10% and the segment result was also improved.

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

Liquidity and Financial Resources

The Group generally financed its operations with its internally generated cash flows and bank borrowings. As at 31 March 2004, the Group had outstanding borrowings of HK\$11,007,134, comprising short-term loans of HK\$7,129,159, bank overdraft of HK\$1,794,665 and installment loan of HK\$2,083,310. Out of the total indebtedness, HK\$416,630 is repayable after one year. At 31 March 2004, the current ratio of the Group was 1.58 (2003: 2.15) while the liquidity ratio was 1.46 (2003: 1.97)

Taking into consideration the banking facilities granted and the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation, development requirements and investments in the future.

Capital Structure

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 year under review.

Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies

During the year under review, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Employment Information

At 31 March 2004, the Group had 171 full-time employees (as at 31 March 2003: 200 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\$56 million for the year ended 31 March 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 31 March 2004, time deposits of HK\$13,584,923 (2003: HK\$13,511,368) 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 31 March 2004.

Gearing Ratio

At 31 March 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 0.02 (2003: 0.06).

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

Most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and Renminbi. As the exchange rate of Renminbi is fairly stable during the year under review, the exchange rate risks of the Group were considered to be minimal. At 31 March 2004, no related hedges were made by the Group.

Contingent Liability

At 31 March 2004, the Company has undertaken to guarantee certain banking facilities granted to two wholly-owned subsidiary to the extent of HK\$18.5 million (2003: HK\$32 million).

At 31 March 2004, the Group did not have any significant contingent liabilities (2003: \$Nil).

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 March 2004, the interests and short positions of each of 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 Rules 5.40 to 5.58 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

Ordinary shares of HK\$0.01 each

<u>Name of directors</u>	<u>Personal Interests</u>	<u>Corporate Interests</u>	<u>Family Interests</u>	<u>Other Interests</u>	<u>Total</u>	<u>Percentage of issued share capital</u>
Mr. Lau Hon Kwong, Vincent	-	486,250,348(L) (Note 2)	-	-	486,250,348(L)	53.58%
Mr. George Roger Manho	148,142,254(L)	-	-	-	148,142,254(L)	16.32%
Mr. Cheng Kwok Hung	16,621,000(L)	486,250,348(L) (Note 2)	-	-	502,871,348(L)	55.41%

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 March 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 March 2004</u>	<u>Date granted</u>	<u>Period during which options exercisable</u>	<u>Number of shares acquired on exercise of options during the year</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	486,250,348 (L)	6,109,440 (L)	492,359,788 (L)	54.25%
Mr. George Roger Manho	148,142,254 (L)	4,000,000 (L)	152,142,254 (L)	16.76%
Mr. Cheng Kwok Hung	502,871,348 (L)	4,000,000 (L)	506,871,348 (L)	55.85%
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 March 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 Rules 5.40 to 5.58 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 March 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 March 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)	486,250,348	53.58%
Mr. 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 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 year are as follows:

Name or category of participant	Number of share options				Outstanding at 31 March 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 2003	Granted during the year	Exercised during the year	Lapsed during the year					
<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	5,904,000	-	-	872,000	5,032,000	10 April 2001	10 April 2002 to 9 April 2004	\$0.455	\$0.455
Employees	8,436,000	-	-	1,680,000	6,756,000	11 October 2001	11 October 2002 to 10 October 2004	\$0.35	\$0.3
Employees	2,000,000	-	-	-	2,000,000	28 December 2001	1 July 2004 to 31 December 2011	\$0.195	\$0.195
	<u>16,340,000</u>	<u>-</u>	<u>-</u>	<u>2,552,000</u>	<u>13,788,000</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 year are as follows:

Name or category of participant	Number of share options				Outstanding at 31 March 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 2003	Granted during the year	Exercised during the year	Lapsed during the year					
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 March 2004, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO scheme and the 2002 Scheme was 70,140,000, 13,788,000 and 9,900,000, respectively, which represented approximately 10.34% 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 year.

COMPETING INTERESTS

As at 31 March 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 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 March 2004.

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors, Mr. Lee Peng Fei, Allen and Mr. Tsao Kwang Yung, Peter, and an executive director, Mr. Liu Hoi Wah. Mr. Lee Peng Fei, Allen was appointed the Chairman of the audit committee in compliance with the requirements as set out in Rules 5.23 to 5.27 of the GEM Listing Rules. The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems and the annual report of the Group. The audit committee held one meeting during the year.

By order of the Board
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 11 June 2004

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