



ITE (HOLDINGS) LIMITED

年報 Annual Report 2001



Characteristics of GEM

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 companies.

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Corporate Information

Executive Directors

Lau Hon Kwong, Vincent CEO
George Roger Manho COO
Cheng Kwok Hung, Alfred CTO
Liu Hoi Wah CFO

Independent non-executive Directors

Lee Peng Fei, Allen JP, CBE
Tsao Kwang Yung, Peter CBE, CPM

Company Secretary

Liu Hoi Wah ACA, AHKSA

Qualified Accountant

Liu Hoi Wah ACA, AHKSA

Compliance Officer

Lau Hon Kwong, Vincent

Authorised Representatives

Lau Hong Kwong, Vincent
Liu Hoi Wah

Audit Committee

Lee Peng Fei, Allen Chairman
Tsao Kwang Yung, Peter
Liu Hoi Wah

Auditors

KPMG

Principal Banker

Standard Chartered Bank

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

Hong Kong Branch Share Registrar and Transfer Office

Hong Kong Registrars Limited

Registered Office

Zephyr House
Mary Street, P.O.Box 2681,
George Town, Grand Cayman,
British West Indies

Head Office and Principal Place of Business

Room 2001, Stelux House
698 Prince Edward Road East, San Po Kong,
Kowloon, Hong Kong

Financial Summary

	Year Ended 31 March	
	2001 HK'000	2000 HK'000
GROUP RESULTS		
Turnover	45,669	16,535
Profit before taxation	19,062	1,426
Taxation	2,800	—
Profit after taxation	16,262	1,426
Dividends	3,418	—
EARNINGS PER SHARE		
	Year Ended 31 March	
	2001 cents	2000 cents
Basic earnings per share	4.01	0.36
Diluted earnings per share	3.98	—

Financial Summary



EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2001 is based on the profit attributable to shareholders for the year of HK\$16,262,425 divided by the weighted average number of 405,242,882 ordinary shares, assumed to be in issue

during the year. The weighted average number of ordinary shares is calculated based on the proforma 400,000,000 shares in issue and issuable, comprising 34,183,360 shares in issue immediately before the placing on 21 February 2001 and 365,816,640 shares issued pursuant to the capitalisation issue, and the total number of ordinary shares of 449,068,000 (including an over-allotment of 4,068,000 shares) in issue as at 31 March 2001.

The calculation of basic earnings per share for the year ended 31 March 2000 is based on the profit attributable to shareholders for the year of HK\$1,425,912 divided by the proforma 400,000,000 ordinary shares in issue and issuable immediately before the placing of the Company's shares on 21 February 2001.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the year of HK\$16,262,425 and the weighted average number of ordinary shares of 408,622,620 shares after adjusting for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in existence during 2000.

Chairman's Statement

Listing on the Growth Enterprise Market • Financial Performance • Business Review



Dear Shareholders,

I am pleased to present you herewith the annual results of ITE (Holdings) Limited ("ITE" or the "Company") for the year ended 31 March 2001.

LISTING ON THE GROWTH ENTERPRISE MARKET

The Year 2001 has been a great year for us. ITE entered into 2001 as a publicly listed company with the commencement of trading of our shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 21 February 2001. Following the successful initial public offering, it is extremely pleasing to note that we receive strong support from the market since the listing, with the share price for the financial year closing on 30 March 2001 at HK\$0.89, which is 18.6% over the listing price.

We believe that the success of the listing bears testament to the rapid business development we have established in the Hong Kong smartcard industry in the past few years together with the fast growing potential of the smartcard and radio frequency identification ("RFID") technologies as a whole. We also have a professional and committed workforce which takes pride in our achievements. With these foundations, we continue to provide innovative services to our local clients and to expand our commercial activities across the Asia Pacific Region.



Chairman's Statement

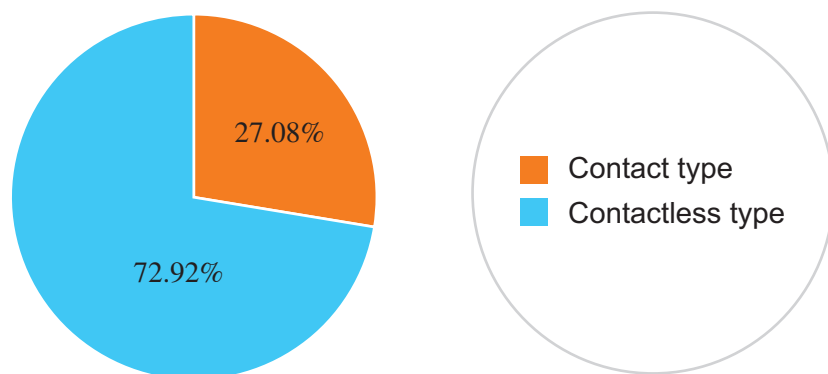
[Listing on the Growth Enterprise Market](#) • [Financial Performance](#) • [Business Review](#)

FINANCIAL PERFORMANCE

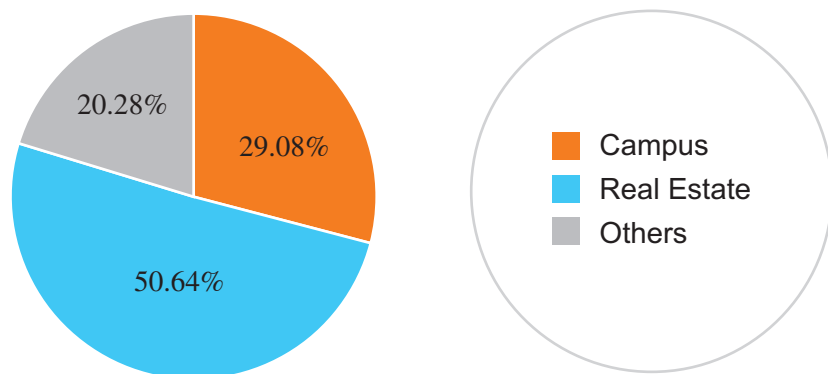
Our net profit for the year was HK\$16,262,425, an increase of 10.4 times over the previous year's figure and 8.42% above the profit forecast contained in the listing Prospectus. Turnover rose to HK\$45,669,195, representing an increase of 1.76 times.

The Directors recommend a bonus issue of one new share for every one existing share, credited as fully paid, to shareholders whose names appear on the register of members at the close of business on 29 June 2001.

Turnover breakdown by Type of Card



Turnover breakdown by Market segment



Chairman's Statement

[Listing on the Growth Enterprise Market](#) • [Financial Performance](#) • [Business Review](#)

BUSINESS REVIEW

I would like to take this opportunity to highlight the significant developments of ITE for the year.



MF25-SM

Research and Development ("R&D")

During the year, we completed the development of series of contact and contactless smartcard readers. Two contactless smartcard readers, MF25-SM and MF-100AC were type approved by the Hong Kong Office of the Telecommunications Authority. On 31 October 2000, the Company received a Certificate of Merit in Consumer Product Design for the contactless smartmeter MF25-SM in the Federation of Hong Kong Industries for the 2000 Hong Kong Awards. Further to Philips Semiconductor's contactless Mifare technology, the Company also commenced new research and development based on the Sony Felica technology.

The Company continued to strengthen its R&D capabilities, to fine-tune its smartcard system architecture and to improve the features in its component devices. New contact type solutions based on open operating systems, like Multos, Java and Windows for Smartcard, along with other proprietary systems are under development. New RFID technology for item management has been identified and applications development is in progress.

Sales and Marketing

The Company has strengthened its sales and marketing team in order to capture the fast growing business potential in the industry.

We actively participated in various trade shows and conferences including the CeBit 2001 held in Hanover, Germany, to promote our corporate image, products and services. We also had discussions with potential business partners and alliances targeting the PRC market. We have already participated in two Mainland China projects, and are negotiating new projects in other South East Asian countries.

Chairman's Statement

[Listing on the Growth Enterprise Market](#) • [Financial Performance](#) • [Business Review](#)

In Hong Kong, our effective marketing campaigns have alleviated our image in the market. We have built up prototype solutions, provided technical presentations and demonstrations to potential clients. Three more universities (The City University of Hong Kong, The Hong Kong Baptist University and The Hong Kong Polytechnic University) have been added to our client list. We have also been in discussion with the Management Services Agency and the Education Department to promote the concept and application of campus smartcard solution for public schools. We were also awarded the first public estate contactless smartcard trial project for the Housing Department and the Hong Kong Housing Authority. The project is scheduled for completion in the second quarter of 2001.

Further Opportunities

Looking ahead, we see exciting opportunities for the future growth of our Company. We are always on the look out for new technologies and applications in developing our products and services. We continue to be mindful of overseas expansion opportunities including those in the Greater China and South East Asian regions. We expect increasing income trends from these new geographical markets, and opportunities from the continuing recovery of the economies in Hong Kong and the Asia Pacific Region.

Our objectives in the coming year will be:

- Continue R&D of technology and application
- Expand existing range of applications and innovate new applications
- Capitalize on opportunities in e-commerce in the Asia Pacific Region
- Expand participation in the value-added chain for smartcard business
- Evolve to become a community service provider
- Further participate in major smartcard projects

We will continue to build ITE as an aggressive, professional and innovative company and place primary emphasis on technology and professional development. We are confident that such strategy will cement the Company's position in the forefront of the smartcard and RFID industry in the Asia Pacific Region and to bring positive returns to shareholders.

Chairman's Statement

[Listing on the Growth Enterprise Market](#) • [Financial Performance](#) • [Business Review](#)



I am deeply grateful to my directors, management and staff for their dedication and for their hard work. I would also like to thank our shareholders, financiers and business partners for their continued strong support.

Lau Hon Kwong, Vincent
Chairman

Hong Kong, 12 June 2001

Business Objectives Review

Key business initiatives • Sales and marketing • Geographical expansion • New applications and services • Key project • R&D • Quality assurance

In compliance with the rules of the Growth Enterprise Market, ITE presents a summary of actual business progress as measured against the business objectives set out in its prospectus dated 15 February 2001 (the “Prospectus”) for the period from the latest practicable date of the Prospectus to 31 March 2001 (the “Review Period”).

BUSINESS OBJECTIVES FOR THE REVIEW PERIOD AS SET OUT IN THE PROSPECTUS

Actual Business Progress in the Review Period

Key business initiatives

- Explore opportunities for smartcard applications targeted to public and private sector users in Hong Kong

The Company was awarded the first pilot public estate contactless smartcard solution project by the Housing Department and Housing Authority of the HKSAR. This pilot project is located in the Hon Chung House, Wan Hon Estate Kwun Tong and will be completed and launched in the second quarter of 2001.

Working with the Management Services Agency and the Education Department of the HKSAR Government, the Company has conducted a feasibility study and pilot development of campus smartcard solutions for public schools. The Company has also been marketing the concept and applications to government subsidized and private schools.

The Company has continued to promote smartcard solutions to real estate developers, property management companies and incorporated buildings owners. As a result, we expect our client list to grow rapidly.

The Company has initiated a new smartcard based logistics system for one of the leading air freight terminals in Hong Kong. With the completion of this project, we foresee new market opportunities in the logistics and air/sea terminals industry.

Business Objectives Review

Key business initiatives • Sales and marketing • Geographical expansion • New applications and services • Key project • R&D • Quality assurance

<ul style="list-style-type: none"> Negotiate terms of the Octopus card based access control project 	<p>The Company has completed business discussions with and has obtained approval from Creative Star Limited, the service provider for Octopus Card on the cooperation to provide an all-new Octopus Smart Access System. The Octopus Smart Access Control System is scheduled to be launched in the second quarter of 2001.</p>
<ul style="list-style-type: none"> Identify smartcard services provider opportunity in Hong Kong and conduct detailed market research 	<p>The Company has continued its market research on new smartcard service provider opportunities in Hong Kong and the PRC. We have expressed an interest to work with Creative Star Limited in the Octopus card based vending business.</p>
<ul style="list-style-type: none"> Identify technology inventors to form alliances in relation to RFID application in electronic identification, e-logistics, and MRP 	<p>The Company has identified Philips Semiconductors' I-code and Texas Instrument's Tag-It as the 13.56MHz RFID technology base for electronic identification, e-logistics and MRP applications. Component vendors have been identified and product development started.</p>
<ul style="list-style-type: none"> Identify smartcard and related hardware manufacturer as business partner and commence commercial negotiation in connection with an investment in and/or alliance with such partner 	<p>The Company has identified smartcard and related hardware manufacturers in Hong Kong and the PRC as long-term business partners. Investment negotiation has begun.</p>
<ul style="list-style-type: none"> Explore opportunities to acquire or form alliances with companies providing synergies and technological supports 	<p>The Company has identified companies in the PRC providing synergy and technology support in areas of network security and system integration. Investment negotiation has begun.</p>

Business Objectives Review

Key business initiatives • Sales and marketing • Geographical expansion • New applications and services • Key project • R&D • Quality assurance

Sales and marketing

<ul style="list-style-type: none"> Expand the Company's Hong Kong sales and marketing team by recruiting additional staff members 	<p>During the period, the Company has continued to expand its sales and marketing force by adding 4 staff members. It is expected that the Company will continue to strengthen the team in the second quarter of 2001.</p>
<ul style="list-style-type: none"> Continue to promote the Company's smartcard solutions to education institutions, real estate developers and property management companies in Hong Kong 	<p>The Company has continued to promote smartcard solutions to education institutions, and has brought in new university clients including The City University of Hong Kong, The Hong Kong Baptist University and The Hong Kong Polytechnic University. Contracts were awarded during the period, and the initial phase is expected to be completed before the end of 2001. The Company has been promoting and demonstrating our solutions to The Hong Kong University of Science and Technology. The Company is optimistic towards obtaining new clients. Further to attracting new clients, the Company has continued to enhance the campus smartcard services of its existing clients including The Hong Kong Institute of Education, The Chinese University of Hong Kong and The University of Hong Kong. Additional contracts and variation orders were awarded during the period, some of which are for a term of 2 years.</p>
<ul style="list-style-type: none"> Brand building activities in Hong Kong by way of print advertisement and participation in industry seminars and exhibitions 	<p>The Company has continued its brand building activities in Hong Kong with advertising in newspapers, professional and commercial magazines. The Company has actively participated in industry seminars and exhibitions. The Company has also donated the award-winning product MF25-SM to the Hong Kong Heritage Museum operated by the Leisure and Cultural Services Department, for the purpose of promoting and preserving Hong Kong designs. The HKSAR Government has again acknowledged the achievements of the Company through these exhibition programmes and educational activities.</p>

Business Objectives Review

Key business initiatives • Sales and marketing • Geographical expansion • New applications and services • Key project • R&D • Quality assurance

Geographical expansion

- Prepare for expansion into the PRC smartcard market by way of identifying business partners and conducting market research, and commence negotiation with smartcard system operators in the PRC in relation to possible alliances with them

During the period, the Company was involved in two contactless smartcard projects in the PRC. New phases of implementation are currently being discussed. To capture the fast growing potential in the PRC, the Company is in the process of incorporating a wholly owned foreign enterprise under the name "ITE (China) Limited" in a high tech industrial zone in Shanghai. Along with the incorporation of the new venture, the Company is continuing with market research and the identification of potential business partners and smartcard system operators in relation to possible business alliances.

New applications and services

- Launch smartcard solution for social security

The Company has continued the development of a solution for social security.

Business Objectives Review

Key business initiatives • Sales and marketing • Geographical expansion • New applications and services • Key project • R&D • Quality assurance

Key project

<ul style="list-style-type: none"> • Conduct implementation of new and existing campus smartcard projects 	<p>During the period, the Company has completed three major campus smartcard projects for The University of Hong Kong, The Chinese University of Hong Kong and The Hong Kong Institute of Education. Additional phases of these projects are being implemented.</p> <p>The Company has also commenced three new campus smartcard projects with the new clients, The Hong Kong Polytechnic University, The City University of Hong Kong and The Hong Kong Baptist University, with the total number of smartcard readers installation amounting to 3,000. These projects are expected to be completed before the end of the 2002 fiscal year. The Company has also continued to introduce new applications and solutions to these six clients and expects to enter into new phases of implementation for these projects. Apart from these university campuses, the Company has also completed a campus solution for a private tertiary institution.</p>
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R&D

<ul style="list-style-type: none"> • Recruit additional engineers 	<p>The Company has strengthened the R&D team by expanding the team to 20 staff members as at 31 March 2001.</p>
<ul style="list-style-type: none"> • Evaluate technological aspects of Hong Kong smart ID card project 	<p>The Company has continued to evaluate various technological aspects of the Hong Kong Smart ID Card project covering the operating systems Multos and Java, fingerprint sensor and algorithm, network security, key management and personalization systems. Product and systems development has started.</p>

Business Objectives Review

Key business initiatives • Sales and marketing • Geographical expansion • New applications and services • Key project • R&D • Quality assurance

<ul style="list-style-type: none"> Continue R&D of embedded Linux system for intelligent facility management system 	<p>R&D of the new embedded Linux system and the new control boards have been under development.</p>
<ul style="list-style-type: none"> Commence trial run and fine-tuning of Octopus card based access control solution 	<p>The trial run for the Octopus card based access control solution was successfully completed and is currently undergoing fine-tuning.</p>
<ul style="list-style-type: none"> Commence R&D of biometrics and public key infrastructure based smartcard solutions for PC & network security application 	<p>The Company has commenced the R&D of biometrics smartcard solutions based on both optical and solid state sensor technologies. PKI based smartcard solutions have also begun.</p>
<ul style="list-style-type: none"> Commence R&D applications and system for smartcard service provider business in Hong Kong 	<p>The Company has also begun feasibility studies for smartcard service provider applications in the area of vending operations.</p>
<ul style="list-style-type: none"> Commence R&D of smartcard based automatic fare collection and metering application for mass transportation system 	<p>Incorporating Philips Mifare and Sony Felica as the technology base for automatic fare collection and metering applications for mass transportation systems, the development has been continuing smoothly.</p>
<h2>Quality assurance</h2>	
<ul style="list-style-type: none"> Commence preparation for ISO9000 quality certification 	<p>The Company has appointed an independent consultant to provide the consultancy services for the implementation of the ISO9001:2000 quality assurance system. The British Standards Institution was also selected as the accreditation authority.</p>

Profiles of Directors & Senior Management

Directors • Senior Management

DIRECTORS

Executive Directors

Mr. Lau Hon Kwong, Vincent, aged 37, is an executive Director, the Chief Executive Officer and one of the founders of the Group. He is responsible for overall strategic planning and management of the Group. He has over 14 years of experience in executive management. Before founding the Group, Mr. H.K. Lau was engaged in China trade. Mr. H.K. Lau graduated from The University of Hong Kong with a first class honours Degree of Bachelor of Science in Mechanical Engineering.



Mr. George Roger Manho, aged 38, is an executive Director, Chief Operating Office and one of the founders of the Group. He is responsible for marketing and project management of the Group. He has 13 years of experience in the control and automation industries, electrical and mechanical projects and engineering management. Before founding the Group, Mr. Manho was an electrical and mechanical engineer in an engineering consultancy company. He is a Chartered Engineer and a member of each of the Hong Kong Institute of Engineers, The Institute of Marine Engineers and The Hong Kong Institute of Marine Technology. He holds a Master degree of Engineering Studies in Mechanical Engineering from the University of Sydney and a Bachelor of Science (Engineering) degree with first class honours in Marine Engineering from the University of Newcastle Upon Tyne.

Profiles of Directors & Senior Management

Directors • Senior Management

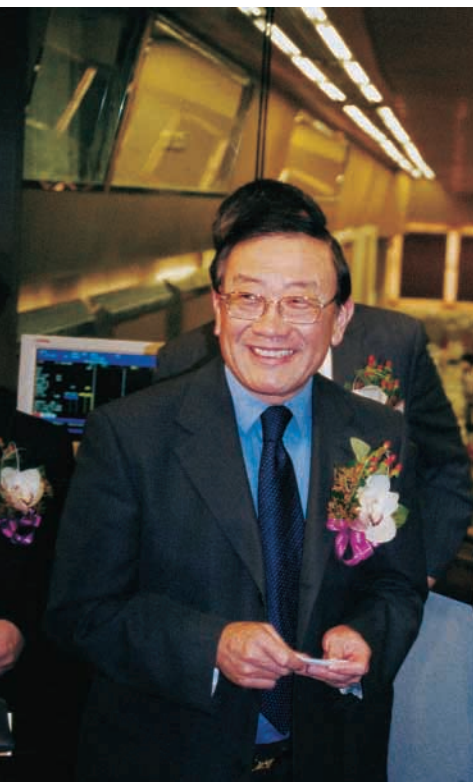


Mr. Cheng Kwok Hung, aged 38, is an executive Director and Chief Technology Officer of the Group. He joined the Group in April 1999 and is responsible for project management and R&D of the Group. Before joining the Group, Mr. Cheng was the chief engineer of an electronic company. He has 17 years of experience in R&D and production management. He is a four times winner of product design award of the Hong Kong Awards for Industry (one product design in each of 1993 and 2000 and two designs in 1997.) He holds a high diploma in Electronics Engineering from the Hong Kong Polytechnic.

Mr. Liu Hoi Wah, aged 32, is an executive Director and Chief Finance Officer of the Group. He is responsible for financial management, accounting and corporate development. He joined the Group in March 2000 and has 10 years of experience in auditing and corporate finance. Before joining the Group, Mr. Liu was a financial controller of a private group. He graduated from The London School of Economics and Political Science of the University of London with a Bachelor of Science degree, first class honours in Management Sciences. He is an associate member of each of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants. Mr. Liu is the younger brother of Mr. H.K. Lau.

Profiles of Directors & Senior Management

Directors • Senior Management



Independent non-Executive Directors

Mr. Lee Peng Fei, Allen, JP, CBE, aged 61, is currently a director of a number of public companies in Hong Kong. He is also currently a member of the Commission on Strategic Development, Hong Kong SAR and a deputy of Hong Kong SAR, the 9th National People's Congress, PRC. He has taken an active role in public services. Mr. Lee holds an honorary degree of Doctor of Engineering from the Hong Kong Polytechnic University, an honorary degree of Doctor of Laws from the Chinese University of Hong Kong. Mr. Lee was appointed as the Company's independent non-executive director in December 2000.

Mr. Tsao Kwang Yung, Peter, CBE, CPM, aged 67, is currently the chairman of a private company and a director of a number of companies in Hong Kong and the United Kingdom. Mr. Tsao was the former Secretary for Home Affairs of the Hong Kong Government. He was appointed as the special envoy to Geneva in 1979. He was the head of the Trade and Industry Departments in 1981 and the head of the Government Information Services in 1983. He was appointed as the Company's independent non-executive director in December 2000.



Profiles of Directors & Senior Management

Directors • Senior Management

SENIOR MANAGEMENT

Mr. Kam Wai Tak, aged 37, is the Technical Manager of the Group. He has 13 years' experience in system and network development. Before joining the Group in February 2000, he was a R&D engineer of an electronics company for 9 years. Mr. Kam holds a Bachelor of Science degree with honours in Computer Studies from the City University of Hong Kong.

Mr. Yuk Wai Kwok, aged 36, is the Project Manager of the Group. Mr. Yuk has 10 years' experience in project management of IT industry. Before joining the Group in December 1999, he was a project manager of a computer company for 10 years.

Mr. Luk Wai Suen, aged 52, is the Senior Engineer of the Group. He has 20 years' experience in R&D of system networking. Before joining the Group in April 2000, he was the deputy chief engineer of an electronics company for 13 years. Mr. Luk holds a degree in Computer Application from The Shanghai Institute of Education.

Mr. Chow Tak Hing, aged 42, is the Administration Manager of the Group. He oversees administration and human resources of the Group. Mr. Chow has 12 years' experience in administration. Before joining the Group in April 1998, he worked for a trading company in Hong Kong for 10 years.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2001.

GROUP REORGANISATION

The Company was incorporated with limited liability under the Companies Law (2000 Revised) of the Cayman Islands on 6 November 2000.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 18 November 2000. Further details of the reorganisation are set out in the Company's prospectus dated 15 February 2001. The Group has been treated as a continuing entity and accordingly, the accompanying consolidated accounts have been presented on the basis set out in note 1(c) on the accounts.

The shares of the Company were listed on GEM on 21 February 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 12 on the accounts.

As over 90% of the consolidated turnover and trading results of the Group for the year is derived in Hong Kong, an analysis of the consolidated turnover and trading results of the Group by geographical location is not presented.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	21.67%	
Five largest customers in aggregate	75.23%	
The largest supplier		3.89%
Five largest suppliers in aggregate		16.97%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

ACCOUNTS

The profit of the Group for the year ended 31 March 2001 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 31 to 59.

An interim dividend of HK\$3,418,336 (2000: HK\$Nil) was paid by a subsidiary to its then shareholders prior to the Group's reorganisation on 18 November 2000. The directors do not recommend the payment of a final dividend for the year ended 31 March 2001 (2000: HK\$Nil).

Report of the Directors

BONUS ISSUE

The directors recommend a bonus issue of one new ordinary share for every one existing ordinary share of HK\$0.01 each, credited as fully paid, to shareholders whose names appear on the register of members at the close of business on 29 June 2001. The bonus shares will, when issued, rank pari passu in all respects with the existing shares of the Company. The bonus issue is conditional upon (i) the shareholders' approval of the ordinary resolution at the forthcoming annual general meeting; and (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the bonus shares. Details of the bonus issue will be included in a circular to be despatched to the shareholders shortly.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 11 on the accounts.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 19 on the accounts.

SHARE OPTION SCHEME

Pursuant to a written resolution passed on 12 February 2001, a share option scheme for employees to purchase ordinary shares in the Company was approved. Details of the share option scheme are set out in note 19(f) on the accounts. As at 31 March 2001, options to subscribe for an aggregate of 40,000,000 shares at a subscription price of HK\$0.19 each have been conditionally granted by the Company to five employees, six directors (including independent non-executive directors), five of whom are initial management shareholders, and seven advisers of the Company, under the share option scheme.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 20 on the accounts.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors during the financial year and up to the date of this report were:

Executive directors

Lau Hon Kwong, Vincent	(appointed on 6 November 2000)
George Roger Manho	(appointed on 6 November 2000)
Cheng Kwok Hung	(appointed on 6 November 2000)
Liu Hoi Wah	(appointed on 6 November 2000)

Independent non-executive directors

Lee Peng Fei, Allen	(appointed on 4 December 2000)
Tsao Kwang Yung, Peter	(appointed on 4 December 2000)

George Roger Manho retires from the board in accordance with Article 108 of the Company's Articles of Association at the forthcoming annual general meeting, and being eligible, offers himself for re-election.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive directors was appointed for a period of two years commencing on 4 December 2000. Their remuneration is determined by the shareholders at the Company's annual general meeting.

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 February 2001 and which will continue thereafter until terminated by three months' notice in writing served by either party on the other.

Except for the above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN SHARES

The directors of the Company who held office at 31 March 2001 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' share interests:

Beneficial interests	Ordinary shares of HK\$0.01 each			
	Personal interests	Family interests	Corporate interests	Other interests
Lau Hon Kwong, Vincent (Note)	—	—	248,495,174	—
George Roger Manho	74,071,127	—	—	—
Cheng Kwok Hung (Note)	8,480,500	—	248,495,174	—

Note: At 31 March 2001, Mr Lau Hon Kwong, Vincent and Mr Cheng Kwok Hung were substantial shareholders of Rax-Comm (BVI) Limited which beneficially held 248,495,174 shares, representing 55.34% interest, in the Company.

Report of the Directors

At 31 March 2001, the directors of the Company had the following personal interests in options to subscribe for shares of the Company (market value per share is HK\$0.89 at the balance sheet date) granted at nominal consideration 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 year end	Date granted	Period during which options exercisable	No. of shares			
				acquired on exercise of options during the year	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	3,054,720	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.19	HK\$0.75	—
George Roger Manho	2,000,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.19	HK\$0.75	—
Cheng Kwok Hung	2,000,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.19	HK\$0.75	—
Liu Hoi Wah	9,556,320	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.19	HK\$0.75	—
Lee Peng Fei, Allen	880,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.19	HK\$0.75	—
Tsao Kwang Yung, Peter	880,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.19	HK\$0.75	—

Report of the Directors

Apart from the foregoing, at no time during the year was the Company, any of its holding company, or subsidiaries a party to any arrangement to enable the directors of the Company 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.

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 31 March 2001, 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)	248,495,174	55.34%
George Roger Manho (Note 2)	74,071,127	16.49%

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

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

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Details of related party transactions involving directors of the Company are set out in note 16 on the accounts.

Except as disclosed above, no contract of significance to which the Company, its holding company or any of their subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Report of the Directors

COMPETING INTERESTS

As at 31 March 2001, 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.

AUDIT COMMITTEE

The Company has established an audit committee on 12 February 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. 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.

RETIREMENT SCHEME

The Group has implemented a provident fund scheme on 9 December 2000 for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance.

COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on GEM of the Stock Exchange on 21 February 2001.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Vickers Ballas Capital Limited ("Vickers Ballas"), as at 31 March 2001, Vickers Ballas Hong Kong Limited, a fellow subsidiary of Vickers Ballas, was interested in 180,000 shares of the Company, representing approximately 0.04% of the Company's issued share capital.

Save as disclosed above, none of Vickers Ballas, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 March 2001.

Report of the Directors

Pursuant to the agreement dated 23 November 2000 entered into between the Company and Vickers Ballas, Vickers Ballas has been retained to act as the Company's sponsor for the period from 21 February 2001 to 31 March 2003 in return for a monthly advisory fee.

AUDITORS

KPMG were first appointed as auditors of the Company in November 2000.

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board

Lau Hon Kwong, Vincent

Chairman

Hong Kong, 12 June 2001

Report of the Auditors



To the shareholders of
ITE (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 31 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Report of the Auditors

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 12 June 2001

Consolidated Profit and Loss Account

for the year ended 31 March 2001
(Expressed in Hong Kong dollars)

	Note	2001 \$	2000 \$
Turnover	2	45,669,195	16,535,431
Cost of services rendered		(17,328,618)	(11,205,385)
Other revenue	3	28,340,577	5,330,046
Other net loss	3	198,981	596
Staff costs		—	(2,804)
Depreciation		(6,188,106)	(2,746,425)
Other operating expenses		(551,615)	(234,285)
		(2,729,550)	(916,750)
Profit from operations		19,070,287	1,430,378
Finance cost	4	(7,862)	(4,466)
Profit from ordinary activities before taxation	4	19,062,425	1,425,912
Taxation	5	(2,800,000)	—
Profit attributable to shareholders		16,262,425	1,425,912
Dividends	9	(3,418,336)	—
Retained profits for the year		12,844,089	1,425,912
Earnings per share	10		
Basic		4.01 cents	0.36 cents
Diluted		3.98 cents	—

No separate statement of recognised gains and losses has been prepared as the net profit for the year would be the only component of this statement.

The notes on pages 36 to 59 form part of these accounts.

Consolidated Balance Sheet

at 31 March 2001
(Expressed in Hong Kong dollars)

	Note	2001 \$	2000 \$
Non-current assets			
Fixed assets	11	1,616,853	924,839
Current assets			
Inventories	13	1,948,675	1,657,854
Trade and other receivables	14	18,437,610	2,825,811
Cash and cash equivalents	15	37,991,660	1,214,016
		58,377,945	5,697,681
Current liabilities			
Amount due to a director	16	—	1,323,181
Creditors and accrued charges	17	3,812,857	3,470,952
Current portion of obligations under finance leases	18	39,516	39,516
Taxation	5	2,800,000	—
		6,652,373	4,833,649
Net current assets		51,725,572	864,032
Non-current liabilities			
Obligations under finance leases	18	3,293	42,809
Net assets		53,339,132	1,746,062
Capital and reserves			
Share capital	19	4,490,680	3,000,000
Reserves	20	48,848,452	(1,253,938)
		53,339,132	1,746,062

Approved by the board of directors on 12 June 2001



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The notes on pages 36 to 59 form part of these accounts.

Balance Sheet

at 31 March 2001
(Expressed in Hong Kong dollars)

	Note	2001 \$
Interest in subsidiaries	12	3,168,436
<hr style="border-top: 1px dashed black;"/>		
Current assets		
Deposits and prepayments	14	290,230
Cash and cash equivalents	15	31,676,409
		31,966,639
<hr style="border-top: 1px dashed black;"/>		
Current liabilities		
Creditors and accrued charges	17	514,918
		31,451,721
<hr style="border-top: 1px dashed black;"/>		
Net current assets		34,620,157
<hr style="border-top: 1px dashed black;"/>		
Net assets		34,620,157
<hr style="border-top: 1px dashed black;"/>		
Capital and reserves		
Share capital	19	4,490,680
Reserves	20	30,129,477
		34,620,157

Approved by the board of directors on 12 June 2001



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The notes on pages 36 to 59 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2001
(Expressed in Hong Kong dollars)

	Note	2001		2000	
		\$	\$	\$	\$
Net cash inflow from operating activities	21(a)		2,459,562		39,246
Returns on investments and servicing of finance					
Interest received		163,251		596	
Interest element of finance lease rentals paid		(7,656)		(4,466)	
Interest paid		(206)		—	
Dividends paid		(3,418,336)		—	
Net cash outflow from returns on investments and servicing of finance			(3,262,947)		(3,870)
Taxation					
Hong Kong Profits Tax paid		—		—	
Tax paid			—		—
Investing activities					
Payments for purchase of fixed assets		(1,128,436)		(945,418)	
Net cash outflow from investing activities			(1,128,436)		(945,418)

Consolidated Cash Flow Statement

for the year ended 31 March 2001
(Expressed in Hong Kong dollars)

	Note	2001		2000	
		\$	\$	\$	\$
Financing					
Capital element of finance lease rentals paid	21(c)	(39,516)		(36,224)	
Proceeds from issuance of new shares of the Company	21(c)	36,801,000		—	
Additional paid up capital of the subsidiaries prior to the Group's reorganisation	21(c)	11,748,910		2,000,000	
Expenses in connection with share issues	21(c)	(9,800,929)		—	
Net cash inflow from financing		38,709,465		1,963,776	
Increase in cash and cash equivalents		36,777,644		1,053,734	
Cash and cash equivalents at 1 April		1,214,016		160,282	
Cash and cash equivalents at 31 March		37,991,660		1,214,016	

The notes on pages 36 to 59 form part of these accounts.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In so doing, these accounts have opted to adopt SSAP 14 (revised) "Leases", which is mandatory for accounting periods beginning on or after 1 July 2000, instead of SSAP 14 "Accounting for leases and hire purchase contracts" issued in 1987. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost.

(c) Group reorganisation and basis of consolidation

The Company was incorporated in the Cayman Islands on 6 November 2000 under the Companies Law (2000 Revised) of the Cayman Islands and, through a group reorganisation in preparation for the listing of the Company's shares on GEM of the Stock Exchange, became the holding company of the Group on 18 November 2000. The Group has been treated as a continuing entity and accordingly the consolidated accounts have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from 18 November 2000. Accordingly, the consolidated results of the Group for the years ended 31 March 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period. The consolidated balance sheet at 31 March 2000 is a combination of the balance sheets of the subsidiaries of the Company as at 31 March 2000. The excess value of the shares acquired over the nominal value of the shares issued in exchange is transferred to the merger reserve. In the opinion of the directors, the resulting consolidated accounts give a more meaningful presentation of the results and state of the affairs of the Group as a whole.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Group reorganisation and basis of consolidation (continued)

The consolidated accounts include the accounts of the Company and all of its subsidiaries made up to 31 March each year. All material intercompany transactions and balances are eliminated on consolidation.

As the Company was incorporated on 6 November 2000, no comparative balance sheet of the Company at 31 March 2000 has been presented in these accounts.

(d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Fixed assets and depreciation

(i) Valuation

Fixed assets are stated at cost less accumulated depreciation. The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets and depreciation (continued)

(i) Valuation (continued)

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(ii) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the estimated useful lives as follows:

Leasehold improvements	Shorter of 4 years and the unexpired terms of the leases
Furniture and fixtures	4 years
Office, computer and other equipment	4 years
Motor vehicles	4 years

(iii) Disposals

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where assets are acquired under finance leases, the amounts representing the fair value of the leased asset, or if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely that the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(e) above. Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Service revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for the services.

When the outcome cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that it is probable will be recoverable.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(h) Inventories

Raw materials are stated at the lower of cost and net realisable value.

Cost is calculated on the first in first out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the raw materials to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary in rendering services.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories (continued)

When inventories are consumed in rendering services, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(j) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

(k) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Notes on the Accounts

(Expressed in Hong Kong dollars)

2 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 12 on the accounts.

Turnover represents service revenue arising from smartcard and related service contracts.

As over 90% of the consolidated turnover and trading results of the Group for the year is derived in Hong Kong, an analysis of the consolidated turnover and trading results of the Group by geographical location is not presented.

3 INCOME

	2001 \$	2000 \$
Other revenue		
Interest on bank deposits	198,981	596
Other net loss		
Loss on disposal of fixed assets	—	(2,804)

Notes on the Accounts

(Expressed in Hong Kong dollars)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2001 \$	2000 \$
(a) Finance cost:		
Finance charges on obligations under finance leases	7,656	4,466
Interest on bank overdrafts	206	—
	7,862	4,466
(b) Other items:		
Auditors' remuneration	600,000	80,000
Operating lease charges: minimum lease payments		
— hire of properties	754,515	304,321
Retirement costs included in staff costs	109,258	—

5 TAXATION

Taxation in the consolidated profit and loss account and consolidated balance sheet represents provision for Hong Kong Profits Tax for the year ended 31 March 2001 which is calculated at 16% of the estimated assessable profits of a subsidiary for the year, after taking account of tax losses brought forward from prior years. No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2000 as the tax losses brought forward from prior years exceeded the estimated assessable profits of the subsidiary for that year.

No provision for Hong Kong Profits Tax has been made in the accounts of other companies in the Group as they do not have assessable profits for the year and the preceding year.

No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

Notes on the Accounts

(Expressed in Hong Kong dollars)

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2001 \$	2000 \$
Fees	120,000	—
Basic salary, allowances and other benefits	1,865,000	1,080,000
Discretionary bonuses	500,000	—
Retirement benefits	13,000	—
	2,498,000	1,080,000

Included in the directors' remuneration were fees of \$80,000 and \$40,000 paid to the two independent non-executive directors respectively during the year.

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Directors' interests in shares" in the directors' report.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

The remuneration of the directors (executive and independent non-executive) is within the following band:

	2001	2000
	Number of individuals	Number of individuals
\$Nil – \$1,000,000	6	8

Notes on the Accounts

(Expressed in Hong Kong dollars)

6 DIRECTORS' REMUNERATION (continued)

Four executive directors received emoluments of \$769,000, \$769,000, \$769,000 and \$71,000 respectively for the year ended 31 March 2001. Two of the executive directors received emoluments of \$540,000 each for the year ended 31 March 2000, with the other six directors receiving nil emolument for that year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2000: two) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2000: three) individuals are as follows:

	2001 \$	2000 \$
Basic salary, allowances and other benefits	533,000	1,167,800
Retirement benefits	7,850	—
	540,850	1,167,800

The emoluments of the two (2000: three) individuals with the highest emoluments are within the following bands:

	2001	2000
	Number of individuals	Number of individuals
\$Nil – \$1,000,000	2	3

Notes on the Accounts

(Expressed in Hong Kong dollars)

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of \$3,620,086 which has been dealt with in the accounts of the Company.

9 DIVIDENDS

	2001 \$	2000 \$
Interim dividend paid of \$1 per share (2000: \$Nil)	3,418,336	—

Interim dividend represents dividends paid by a subsidiary to its then shareholders prior to the Group's reorganisation on 18 November 2000.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The companies comprising the Group underwent a reorganisation on 18 November 2000 to rationalise the Group's structure in preparation for the listing of the Company's shares on GEM of the Stock Exchange. Prior to the placing of 49,068,000 new ordinary shares (including an over-allotment of 4,068,000 shares) on 21 February 2001 and the capitalisation issue of 365,816,640 ordinary shares, the number of the Company's issued ordinary shares was 34,183,360.

Notes on the Accounts

(Expressed in Hong Kong dollars)

10 EARNINGS PER SHARE (continued)

(a) Basic earnings per share (continued)

The calculation of basic earnings per share for the year ended 31 March 2001 is based on the profit attributable to shareholders for the year of \$16,262,425 divided by the weighted average number of 405,242,882 ordinary shares, assumed to be in issue during the year. The weighted average number of ordinary shares is calculated based on the proforma 400,000,000 shares in issue and issuable, comprising 34,183,360 shares in issue immediately before the placing on 21 February 2001 and 365,816,640 shares issued pursuant to the capitalisation issue, and the total number of ordinary shares of 449,068,000 in issue as at 31 March 2001.

The calculation of basic earnings per share for the year ended 31 March 2000 is based on the profit attributable to shareholders for the year of \$1,425,912 divided by the proforma 400,000,000 ordinary shares in issue and issuable immediately before the placing of the Company's shares on 21 February 2001.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the year of \$16,262,425 and the weighted average number of ordinary shares of 408,622,620 shares after adjusting for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in existence during 2000.

(c) Reconciliations

	2001	2000
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	405,242,882	400,000,000
Deemed issue of ordinary shares for no consideration	3,379,738	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	408,622,620	400,000,000

Notes on the Accounts

(Expressed in Hong Kong dollars)

11 FIXED ASSETS

	Leasehold improvements \$	Furniture and fixtures \$	Office, computer and other equipment \$	Motor vehicles \$	Total \$
Cost:					
At 1 April 2000	183,303	368,283	579,147	118,549	1,249,282
Additions	646,655	136,380	460,594	—	1,243,629
At 31 March 2001	829,958	504,663	1,039,741	118,549	2,492,911
Aggregate depreciation:					
At 1 April 2000	31,485	60,945	212,255	19,758	324,443
Charge for the year	206,906	129,631	185,441	29,637	551,615
At 31 March 2001	238,391	190,576	397,696	49,395	876,058
Net book value:					
At 31 March 2001	591,567	314,087	642,045	69,154	1,616,853
At 31 March 2000	151,818	307,338	366,892	98,791	924,839

12 INTEREST IN SUBSIDIARIES

	2001 \$
Unlisted shares, at cost	4,000,000
Amounts due to subsidiaries	(831,564)
	3,168,436

Notes on the Accounts

(Expressed in Hong Kong dollars)

12 INTEREST IN SUBSIDIARIES (Continued)

(a) Details of the subsidiaries at 31 March 2001 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of the company	Place of incorporation and operation	Percentage of equity held by the Company held by subsidiary		Particulars of issued and paid up ordinary share capital	Principal activities
ITE (BVI) Limited	The British Virgin Islands	100	—	US\$20,000	Investment holding
ITE Smartcard Solutions Limited (formerly known as CNA Limited)	Hong Kong	—	100	\$3,418,336	Provision of smartcard systems and related services
ITE Engineering Limited	Hong Kong	—	100	\$2	Project management
ITE Investment Limited	Hong Kong	—	100	\$2	Dormant
RF Tech Limited	Hong Kong	—	100	\$2	Dormant
Rainbow Spirit Limited	Hong Kong	—	100	\$2	Dormant
NatId Limited	Hong Kong	—	100	\$2	Dormant

(b) The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

Notes on the Accounts

(Expressed in Hong Kong dollars)

13 INVENTORIES

	2001 \$	2000 \$
Raw materials	1,948,675	1,657,854

14 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Debtors	7,400,227	506,039	—	—
Deposits and prepayments	686,013	188,657	290,230	—
Receivables from customers for service contract work	9,635,854	2,131,115	—	—
Retention money receivables	715,516	—	—	—
	18,437,610	2,825,811	290,230	—

All of the trade and other receivables are expected to be recovered within one year.

Notes on the Accounts

(Expressed in Hong Kong dollars)

15 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Deposits with bank	27,372,484	—	27,372,484	—
Cash at bank and in hand	10,619,176	1,214,016	4,303,925	—
	37,991,660	1,214,016	31,676,409	—

16 AMOUNT DUE TO A DIRECTOR

The amount was interest free, unsecured and had no fixed terms of repayment. The amount was already fully repaid in September 2000.

17 CREDITORS AND ACCRUED CHARGES

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Trade creditors	1,386,042	1,025,619	—	—
Accrued charges and other payables	2,426,815	537,146	400,000	—
Project deposits	—	1,908,187	114,918	—
	3,812,857	3,470,952	514,918	—

All of the creditors and accrued charges are expected to be settled within one year.

Notes on the Accounts

(Expressed in Hong Kong dollars)

18 OBLIGATIONS UNDER FINANCE LEASES

At 31 March, the Group and the Company had obligations under finance leases repayable as follows:

The Group and the Company			
	Present value of the minimum lease payments \$	Interest expense relating to future periods \$	Total minimum lease payments \$
2001			
Within 1 year	39,516	7,656	47,172
After 1 year but within 2 years	3,293	638	3,931
After 2 years but within 5 years	—	—	—
	42,809	8,294	51,103
2000			
Within 1 year	39,516	7,656	47,172
After 1 year but within 2 years	39,516	7,656	47,172
After 2 years but within 5 years	3,293	638	3,931
	82,325	15,950	98,275

Notes on the Accounts

(Expressed in Hong Kong dollars)

19 SHARE CAPITAL

	Number of shares	Amount \$
Authorised: Ordinary shares of \$0.01 each	2,000,000,000	20,000,000
Issued and fully paid: At 1 April 2000	—	—
New shares issued	449,068,000	4,490,680
At 31 March 2001	449,068,000	4,490,680

- (a) The Company was incorporated on 6 November 2000 with an authorised share capital of \$100,000 represented by 1,000,000 shares of \$0.1 each of which one share was allotted and issued.
- (b) On 18 November 2000, pursuant to written resolutions of shareholders of the Company,
- (i) the authorised share capital of the Company was increased from \$100,000 to \$400,000 divided into 4,000,000 shares of \$0.1 each. Such shares rank *pari passu* with the existing shares in all respects; and
 - (ii) 3,418,335 shares of \$0.1 each were allotted, issued and credited as fully paid, in consideration and in exchange for the entire issued share capital of ITE (BVI) Limited.
- (c) On 12 February 2001, pursuant to written resolutions of shareholders of the Company,
- (i) the existing shares of \$0.1 each were subdivided into ten ordinary shares of \$0.01 each;
 - (ii) the authorised share capital of the Company was increased from \$400,000 to \$20,000,000 by the creation of a further 1,960,000,000 shares of \$0.01 each. Such shares rank *pari passu* with the existing shares in all respects; and

Notes on the Accounts

(Expressed in Hong Kong dollars)

19 SHARE CAPITAL (continued)

- (iii) out of the share premium account created as a result of the placing, \$3,658,166 was capitalised and applied in paying up in full at par 365,816,640 shares of \$0.01 each for allotment and issue to shareholders of the Company prior to the placing.
- (d) Pursuant to the placing of the new shares of the Company on 21 February 2001, the Company issued a total of 49,068,000 shares (including an over-allotment of 4,068,000 shares) for cash for an aggregate consideration of \$27,000,071 after deducting underwriting and other expenses in connection with the placing.
- (e) The combined share capital as at 31 March 2000 represents the issued share capital of ITE Smartcard Solutions Limited, a Company's subsidiary, prior to the group reorganisation.
- (f) Share option scheme

Pursuant to a written resolution passed on 12 February 2001 a share option scheme for employees was approved and the directors may, at their discretion, invite any employee or executive director of the Group, to take up options to subscribe for shares of the Company.

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company may not (when aggregated with shares subject to any other employees share option scheme) exceed in nominal amount 30 per cent of the issued share capital of the Company from time to time during the period of 10 years from the adoption date of the share option scheme.

As at 31 March 2001, options to subscribe for an aggregate of 40,000,000 shares at a subscription price of \$0.19 each have been conditionally granted by the Company to five employees, six directors (including independent non-executive directors), five of whom are initial management shareholders, and seven advisers of the Company, under the share option scheme.

Up to 31 March 2001, no option has been exercised by any grantees under this share option scheme.

Notes on the Accounts

(Expressed in Hong Kong dollars)

20 RESERVES

(a) Group

	Share premium \$	(Accumulated losses)/ retained profits \$	Merger reserve \$	Total \$
At 1 April 1999	—	(2,679,850)	—	(2,679,850)
Profit for the year	—	1,425,912	—	1,425,912
At 31 March 2000 and 1 April 2000	—	(1,253,938)	—	(1,253,938)
Premium on issue of shares	36,310,320	—	—	36,310,320
Share issue expenses	(9,800,929)	—	—	(9,800,929)
Difference on merger	—	—	10,748,910	10,748,910
Profit for the year	—	16,262,425	—	16,262,425
Dividends	—	(3,418,336)	—	(3,418,336)
At 31 March 2001	26,509,391	11,590,151	10,748,910	48,848,452

Notes on the Accounts

(Expressed in Hong Kong dollars)

20 RESERVES (continued)

(b) Company

	Share premium \$	Retained earnings \$	Total \$
At 1 April 2000	—	—	—
Premium on issue of shares	36,310,320	—	36,310,320
Share issue expenses	(9,800,929)	—	(9,800,929)
Profit for the year	—	3,620,086	3,620,086
At 31 March 2001	26,509,391	3,620,086	30,129,477

Notes:

- (i) The application of the share premium account is governed by Section 69(2) of the Company's articles of association and the Cayman Islands Companies Law (2000 Revised), which provides that the share premium account may be applied in making distributions or paying dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- (ii) At 31 March 2001, in the opinion of the directors, the Company's reserves available for distribution to shareholders of the Company, comprising share premium account and retained earnings, totalled at \$30,129,477.

Notes on the Accounts

(Expressed in Hong Kong dollars)

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 \$	2000 \$
Operating profit	19,062,425	1,425,912
Interest income	(198,981)	(596)
Interest paid	7,862	4,466
Depreciation	551,615	234,285
Loss on disposal of fixed assets	—	2,804
Increase in inventories	(290,821)	(1,628,964)
Increase in trade and other receivables	(15,576,069)	(1,610,974)
(Decrease)/increase in amount due to a director	(1,323,181)	1,153,484
Increase in creditors and accrued charges	226,712	948,829
Decrease in loan from shareholders	—	(490,000)
Net cash inflow from operating activities	2,459,562	39,246

(b) Major non-cash transactions

In preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company issued 400,000,000 shares at \$0.01 each and credited as fully paid at par in exchange and as consideration for the acquisition by the Company of the entire issued share capital of ITE (BVI) Limited on 18 November 2000.

Notes on the Accounts

(Expressed in Hong Kong dollars)

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(c) Analysis of changes in financing

	Share capital (including premium) \$	Finance lease obligations \$
At 1 April 1999	1,000,000	—
Cash flows from financing	2,000,000	(36,224)
Inception of finance lease contracts	—	118,549
At 31 March 2000	3,000,000	82,325
At 1 April 2000	—	82,325
Cash flows from financing	38,748,981	(39,516)
Shares issued in exchange of shares in a subsidiary	4,000,000	—
Additional paid up capital of the subsidiaries prior to the Group's reorganisation eliminated on consolidation	(11,748,910)	—
At 31 March 2001	31,000,071	42,809

22 RETIREMENT BENEFITS SCHEME

The Group participates in a Mandatory Provident Fund ("MPF") scheme operated by an approved MPF trustee for its staff in Hong Kong. All eligible staff and the employer make mandatory contributions in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance.

The Group's retirement costs charged to the profit and loss account for the year were \$109,258 (2000: \$Nil).

Notes on the Accounts

(Expressed in Hong Kong dollars)

23 COMMITMENTS

At 31 March, the Group's total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2001 \$	2000 \$
Within 1 year	1,223,320	379,600
After 1 year but within 5 years	672,000	265,720
	1,895,320	645,320

24 POST BALANCE SHEET EVENTS

(i) Share option scheme

By a board resolution passed on 10 April 2001, the Company has granted share options to certain employees to subscribe for an aggregate of 4,188,000 shares at a subscription price of \$0.91 per share pursuant to clause 4.2 of the share option scheme adopted by the Company on 12 February 2001.

(ii) Bonus issue

On 12 June 2001, the directors recommend a bonus issue of one new ordinary share for every one existing ordinary share of \$0.01 each, credited as fully paid, to shareholders whose names appear on the register of members at the close of business on 29 June 2001. The bonus shares will, when issued, rank pari passu in all respects with the existing shares of the Company. The bonus issue is conditional upon (i) the shareholders' approval of the ordinary resolution at the forthcoming annual general meeting; and (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the bonus shares.

25 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 March 2001 to be Rax-Comm (BVI) Limited, which is incorporated in The British Virgin Islands.

Notice of Annual General Meeting

Notice is hereby given that an annual general meeting of the shareholders of ITE (Holdings) Limited (the "Company") will be held at Sung Room I, 4/F., Sheraton Hong Kong Hotel, 20 Nathan Road, Kowloon on Tuesday, 10 July 2001 at 10:00 a.m. for the following purposes:

- 1 To receive and consider the audited consolidated financial statements and the reports of the directors and the auditors for the year ended 31 March 2001;
- 2 To re-elect directors and authorise the board of directors to fix directors' remuneration;
- 3 To re-appoint auditors and authorise the board of directors to fix the remuneration;
- 4 To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(1) That

- (a) subject to paragraph (c) below the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved.
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period.
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the memorandum and articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:
 - (aa) 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution; and

Notice of Annual General Meeting

(bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution).

And the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, the Companies Law (2000 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for share open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).

Notice of Annual General Meeting

(2) That

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission. The Stock Exchange of Hong Kong Limited, the memorandum and articles of association of the Company, the Companies Law (2000 Revision) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved.
 - (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (c) For the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, the Companies Law (2000 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.
- (3) That the directors of the Company be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 1 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.

Notice of Annual General Meeting

5 As special business:

That subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant listing of and permission to deal in the Bonus Shares (as hereinafter defined):

- (a) upon the recommendation of the directors of the Company, a sum of HK\$4,490,680 being part of the amount standing to the credit of share premium account of the Company, or such larger sum as may be necessary to give effect to the bonus issue of shares pursuant to this Resolution, be capitalised and accordingly the directors of the Company be and are hereby authorised and directed to apply such sum in paying up in full at par not less than 449,068,000 unissued shares ("Bonus Shares") of HK\$0.01 each in the capital of the Company, and that such Bonus Shares shall be allotted and distributed, credited as fully paid up, to and amongst those shareholders whose names appear on the registers of members of the Company on 29 June 2001 (the "Share Record Date") on the basis of one Bonus Share for every one existing issued share of HK\$0.01 each in the Capital of the Company held by them respectively on the Share Record Date;
- (b) the shares to be issued pursuant to this Resolution share, subject to the Memorandum and Articles of Association of the Company, rank *pari passu* in all respects with the shares of HK\$0.01 each in the capital of the Company in issue on the Share Record Date, except that they will not rank for the bonus issue of shares mentioned in this Resolution;
- (c) no fractional shares shall be allotted and distributed as aforesaid, but shares representing fractional entitlements shall be aggregated and issued to a nominee to be named by the directors of the Company and such shares shall at such time as the nominee thinks fit be sold and the net proceeds shall be retained for the benefit of the Company; and
- (d) the directors of the Company be authorised to do all acts and things as any be necessary and expedient in connection with the allotment and issue of the Bonus Shares including, but not limited to, determining the amount to be capitalised out of share premium account and the number of Bonus Shares to be allotted and distributed in the manner referred to in paragraph (a) of this Resolution.

By Order of the Board of
ITE (Holdings) Limited
Liu Hoi Wah
Company Secretary

Hong Kong, 12 June 2001

Notice of Annual General Meeting

Registered Office:

Zephyr House
Mary Street
P.O. Box 2681
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business:

Room 2001, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:

- (a) A shareholder entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf in accordance with the Articles of Association of the Company. A proxy need not to be a shareholder of the Company.
- (b) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's registrar in Hong Kong, Hong Kong Registrars Ltd, 2/F Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.
- (c) The register of members of the Company will be closed from 3 July 2001 to 10 July 2001, both days inclusive, during which period no transfer of Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Hong Kong Registrars Ltd, 2/F Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, not later than 4:00 pm on 29 June 2001.