



ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Announcement of the 2001 Final Results

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.

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The principal means of information dissemination on GEM is publication on the internet website operated by the 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 of Hong Kong Limited 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 of ITE (Holdings) Limited (“ITE” or the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

Successful listing on GEM on 21 February 2001.

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 at the Annual General Meeting to be held on 10 July 2001, a bonus issue of one new share for every one existing share held on the record date.

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.

Completed the business discussion with and has obtained approval from Creative Star Limited, the service provider for Octopus Card on the cooperation for providing an all-new Octopus Smart Access System.

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.

CHAIRMAN'S STATEMENT

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.

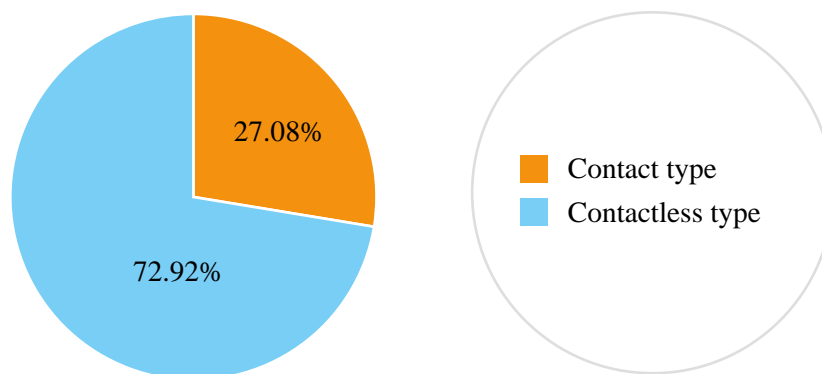
We believe that the success of the listing bears testament to the rapid business development we have established in the Hong Kong smartcard industry in the past few years together with the fast growing potential of the smartcard and radio frequency identification ("RFID") technologies as a whole. We 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.

Financial Performance

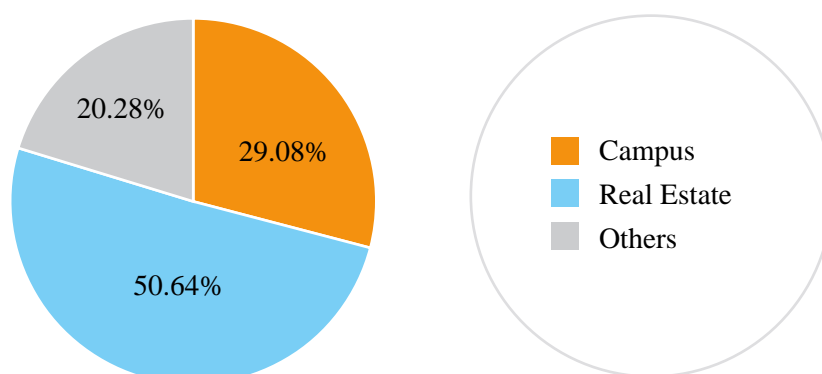
Our net profit for the year was HK\$16,262,425, an increase of 10.4 times over the previous year's figure and 8.42% above the profit forecast contained in the listing prospectus. Turnover rose to HK\$45,669,195, representing an increase of 1.76 times.

The Directors recommend at the Annual General Meeting to be held on 10 July 2001, a bonus issue of one new share for every one existing share held on the record date.

Turnover breakdown by Type of Card



Turnover breakdown by Market segment



Business Review

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

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.

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 to be completed 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 region. We expect increasing income trends from these new geographical markets, and opportunities from the continuing recovery of economic growth 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.

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

FINAL RESULTS

The board of Directors (“Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2001 together with the comparative results for the year ended 31 March 2000, as follows:

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

Notes:

1. Group reorganisation and basis of preparation of the accounts

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 and 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. In the opinion of the Directors, the resulting consolidated accounts give a more meaningful presentation of the results of the Group as a whole.

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 are eliminated on consolidation.

These accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong. The measurement basis used in the preparation of the accounts is historical cost.

2. Turnover

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

3. Taxation

Taxation in the consolidated profit and loss account 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 into account 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.

4. Earnings per share

(i) 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 pro forma 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 the 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 pro forma 400,000,000 ordinary shares in issue and issuable immediately before the placing of the Company's shares on 21 February 2001.

(ii) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders 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.

(iii) *Reconciliations*

	2001	2000
	Number	Number
	of shares	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	<u>408,622,620</u>	<u>400,000,000</u>

5. Reserves

	Share	(Accumulated	Merger	Total
	premium	losses)/	reserve	Total
	HK\$'000	retained	reserve	HK\$'000
		profits	HK\$'000	
		HK\$'000		HK\$'000
At 1 April 1999	—	(2,680)	—	(2,680)
Profit for the year	—	<u>1,426</u>	—	<u>1,426</u>
At 31 March 2000 and 1 April 2000	—	(1,254)	—	(1,254)
Premium on issue of shares	36,310	—	—	36,310
Share issue expenses	(9,801)	—	—	(9,801)
Difference on merger	—	—	10,749	10,749
Profit for the year	—	16,262	—	16,262
Dividends	—	<u>(3,418)</u>	—	<u>(3,418)</u>
At 31 March 2001	<u>26,509</u>	<u>11,590</u>	<u>10,749</u>	<u>48,848</u>

DIVIDEND

An interim dividend of HK\$3,418,336 was paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation on 18 November 2000. As the interim dividend was made before the Company's listing on GEM, the dividend rate is considered to be irrelevant for the purpose of this announcement.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2001 (2000: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from 21 February 2001 (date of listing) to 31 March 2001, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

BUSINESS OBJECTIVES REVIEW

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 SAR 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.

Negotiate terms of the Octopus card based access control project

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 the year.

Identify smartcard services provider opportunity in Hong Kong and conduct detailed market research

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.

Identify technology inventors to form alliances in relation to RFID application in electronic identification, e-logistics, and MRP

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.

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

The Company has identified smartcard and related hardware manufacturers in Hong Kong and the PRC as long-term business partners. Investment negotiation has begun.

Explore opportunities to acquire or form alliances with companies providing synergies and technological supports

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.

Sales and marketing

Expand the Company's Hong Kong sales and marketing team by recruiting additional staff members

During the year, 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.

Continue to promote the Company's smartcard solutions to education institutions, real estate developers and property management companies in Hong Kong

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 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 year, some of which are for a term of 2 years.

Brand building activities in Hong Kong by way of print advertisement and participation in industry seminars and exhibitions

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 SAR Government has again acknowledged the achievements of the Company through these exhibition programmes and educational activities.

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 year, 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 alliances.

New applications and services

Launch smartcard solution for social security

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

Key project

Conduct implementation of new and existing campus smartcard projects

During the year, 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.

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 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.

R&D

Recruit additional engineers

The Company has strengthened the R&D team by expanding the team to 20 staff members as at 31 March 2001.

Evaluate technological aspects of Hong Kong smart ID card project

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.

Continue R&D of embedded Linux system for intelligent facility management system

R&D of the new embedded Linux system and the new control boards have been under development.

Commence trial run and fine-tuning of Octopus card based access control solution

The trial run for the Octopus card based access control solution was successfully completed and is currently undergoing fine-tuning.

Commence R&D of biometrics and public key infrastructure based smartcard solutions for PC & network security application

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.

Commence R&D applications and system for smartcard service provider business in Hong Kong

The Company has also begun feasibility studies for smartcard service provider applications in the area of vending operations.

Commence R&D of smartcard based automatic fare collection and metering application for mass transportation system

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.

Quality assurance

Commence preparation for ISO9000 quality certification

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.

COMPARISON OF USE OF PROCEEDS

Approximately the same amount as stated in the Prospectus of HK\$1.3 million (financed by the net proceeds of the placing of the Company's shares) has been incurred for the progress of the actual business activities from the latest practicable date of the Prospectus to 31 March 2001.

PROPOSED BONUS ISSUE

A resolution will be proposed to the shareholders at the annual general meeting (the "Annual General Meeting") of the Company to be held at 10:00 a.m. on 10 July 2001 to approve a bonus issue of shares (the "Bonus Issue") on the basis of one new ordinary share of HK\$0.01 each in the capital of the Company, credited as fully paid, for every one share held by the shareholders whose names appear on the register of members of the Company at the close of business on 29 June 2001 (the "Record Date"). The register of the shareholders of the Company will be closed from 3 July 2001 to 10 July 2001, both days inclusive, during which the period no transfer of Shares will be effected. The bonus shares issued

pursuant to the Bonus Issue will rank *pari passu* in all respects with the Shares in issue on the date of issue. The Directors believe that the proposal for the Bonus Issue is in the interests of the Company and the shareholders, as it will provide the Company with a wider capital base and therefore increase the marketability of its shares.

The Bonus Issue is conditional upon (i) the passing of the ordinary resolution to approve the Bonus Issue at the Annual General Meeting and (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the bonus shares. Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the bonus shares.

A circular containing details of the proposed Bonus Issue will be sent to the shareholders shortly.

APPRECIATION

On behalf of the Directors, I would like to express my heartfelt gratitude to the shareholders, customers, suppliers, bankers and professional advisors for their support of the Company over the past year, and to sincerely thank the management and staff for their ongoing dedication and diligence.

By order of the Board
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 12 June 2001

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting and on the website of the Company at www.hkite.com.