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or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in **ITE (HOLDINGS) LIMITED**, you should at once hand this document and the accompanying annual report to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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This document, for which the directors of ITE (Holdings) Limited collectively and individually accept full 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 ITE (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



ITE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

PROPOSED BONUS ISSUE OF SHARES, GENERAL MANDATE TO REPURCHASE SHARES AND TO ISSUE SHARES

This circular will remain on the GEM website on the “Latest Company Announcements” for 7 days from the date of its posting.

A notice convening the Annual General Meeting to be held at Sung Room I, 4/F., Sheraton Hong Kong Hotel, 20 Nathan Road, Kowloon, Hong Kong on 10 July 2001 at 10:00 a.m., is set out on pages 60 to 64 in the Annual Report of the Company dated 12 June 2001. Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the form of proxy accompanying the annual report of the Company dated 12 June 2001 in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of a form of proxy will not preclude you from attending and voting in person if you so wish.

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 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.

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EXPECTED TIMETABLE

2001

Last day for trading in Shares cum entitlements to the Bonus Issue	Wednesday, 27 June
First day for trading in Shares ex entitlements to the Bonus Issue	Thursday, 28 June
Latest time for lodging transfers for entitlements to qualify for the Bonus Issue	4:00 p.m. on Friday, 29 June
Record date for determination of entitlements to the Bonus Issue	Friday, 29 June
Register of members closes from.	Tuesday, 3 July to Tuesday, 10 July
Latest time for proxy forms to be returned	10:00 a.m. on Sunday, 8 July
Annual General Meeting	10:00 a.m. on Tuesday, 10 July
Despatch of certificates for the Bonus Shares	Tuesday, 24 July
Expected first day of dealing in the Bonus Shares	Friday, 27 July

DEFINITIONS

In this document, the following expressions have the following meanings unless the context requires otherwise:

“AGM Notice”	the notice for convening the Annual General Meeting set out on pages 60 to 64 in the Annual Report of the Company dated 12 June 2001
“Annual General Meeting”	the annual general meeting of the Company to be held at Sung Room I, 4/F., Sheraton Hong Kong Hotel, 20 Nathan Road, Kowloon, Hong Kong on 10 July, 2001 at 10:00 a.m., notice of which is set out on pages 60 to 64 of the Annual Report
“Annual Report”	the annual report of the Company for the year ended 31 March 2001
“Bonus Issue”	the proposed bonus issue of one Share for every Share held on the Record Date
“Bonus Shares”	the Shares to be issued under the Bonus Issue
“CCASS”	Central Clearing and Settlement System operated by Hongkong Clearing
“Company”	ITE (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and listed on the GEM
“Directors”	directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	12 June 2001, being the latest practicable date prior to the printing of this document
“Record Date”	29 June 2001, being the record date for determination of entitlements to the Bonus Issue
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 4 of the notice of the Annual General Meeting
“Share Repurchase Rules”	the relevant rules set out in the GEM Listing Rules to regulate the repurchase by companies with primary listing on the GEM of their own securities on the GEM

DEFINITIONS

“Share(s)”	fully paid-up share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region



ITE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

Directors:

Executive Directors:

Lau Hon Kwong, Vincent (*Chairman*)
George Roger Manho
Cheng Kwok Hung
Liu Ho Wah

Independent non-executive Directors:

Lee Peng Fei, Allen
Tsao Kwong Yung, Peter

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

18 June 2001

To shareholders

Dear Sir or Madam,

PROPOSED BONUS ISSUE OF SHARES

Introduction

It was announced on 12 June 2001 in conjunction with the announcement of the Group's results for the year ended 31 March 2001 that the Bonus Issue will be proposed to the Shareholders for approval at the Annual General Meeting. The purpose of this document is to provide you with further details in respect of, and to seek your approval of, the Bonus Issue.

Bonus Issue

The Bonus Issue will be made on the basis of one new Share, credited as fully paid by way of capitalisation of part of the Company's share premium account, for every one Share held by the Shareholders whose names appear on the register of members of the Company on the Record Date. The Bonus Shares will rank *pari passu* in all respects with the Shares in issue, including the right to receive all dividends and other distributions declared, made or paid in respect of the Bonus Shares, on the date of issue of the Bonus Shares.

No fractional shares shall be allotted and distributed, but shares representing fractional entitlements shall be aggregated and issued to a nominee to be named by the Directors and such shares shall at such time at the nominee thinks fit be sold and the net proceeds shall be retained for the benefit of the Company.

LETTER FROM THE CHAIRMAN

As at the Latest Practicable Date, the issued share capital of the Company comprised of 449,068,000 Shares and the number of Bonus Shares to be issued will be 449,068,000 Shares.

As at the Latest Practicable Date, the initial management shareholders of the Company, namely Rax-Comm (BVI) Limited, Mr. Lau Hon Kwong, Vincent, Mr. George Roger Manho, Mr. Cheng Kwok Hung, Mr. Lau Hoi Chuen and Ms. Lau Yuet Ping, are interested in an aggregate of 331,046,801 Shares. The number of Bonus Shares to be issued to these initial management shareholders will be 331,046,801 Shares which will become part of the Relevant Securities (as defined in the GEM Listing Rules) and will be subject to the same moratorium period for Shares already owned by them as at the date of listing of the Shares on 21 February 2001. Each of these initial management shareholders has undertaken that (1) each of the existing shareholders of Rax-Comm (BVI) Limited, the controlling shareholder of the Company, will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) his or her shareholding in Rax-Comm (BVI) Limited in the first twelve-month period from the listing date; and (2) each of the initial management shareholders will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any Shares in the second six-month period from the listing date if such disposal would result in the initial management shareholders together ceasing to have control 35% or more of the voting rights at general meetings of the Company.

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.

Adjustment to exercise price of outstanding options

As at the Latest Practicable Date, there were no Shares which would fall to be issued upon exercise of outstanding options granted under the Share Option Scheme.

In accordance with the rules of the Share Option Scheme, the Company shall instruct the auditors to certify in writing to the Directors on the adjustment, if any, that in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to (i) the number or nominal amount of share to options relate; (ii) the subscription price of any option; (iii) the maximum number of shares; and (iv) the method of exercise in respect of all options.

The adjustment as so certified by the auditors shall be made, provided that:

- (i) any such adjustment shall be made on the basis that proportion of the issued share capital of the Company for which any grantee would have been entitled had he exercised all the options held by him immediately prior to such adjustment shall equal to the proportion of the issued share capital of the Company for which he would have been entitled had he exercised all the options held by him immediately after such adjustment;
- (ii) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- (iii) no such adjustment shall be made the effect of which would be to enable a share to be issued at less than its nominal value; and

LETTER FROM THE CHAIRMAN

- (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.

The Company shall, upon receipt of a notice from a grantee on option exercise, inform the grantee of such alteration and shall inform the grantee of the adjustment to be made in accordance with the above certificate of the auditors obtained by the Company.

Closure of Register of Members

The register of Shareholders will be closed from 3 July 2001 to 10 July 2001, both days inclusive, during which no registration of transfer of Shares will be effected. In order to qualify for the Bonus Issue, Shareholders whose Shares are not registered in their names should complete and lodge transfer forms and Share certificates by 4:00 p.m. on 29 June 2001 with the Company's registrar in Hong Kong, Hong Kong Registrars Ltd., 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong for registration.

Trading arrangement

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Bonus Shares on GEM. No part of the share capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

It is expected that certificates for the Bonus Shares will be posted to those entitled thereto at their own risk on or before 24 July 2001. In the case of joint shareholdings, the certificates for the Bonus Shares will be posted to the address of the first-named member on the register of members of the Company in respect of such joint holding.

Subject to the granting of the listing of and permission to deal in the Bonus Shares by the Stock Exchange, the Bonus Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in the CCASS with effect from 25 July 2001 or such other date as shall be determined by Hongkong Clearing. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. The board lot size of 4,000 will remain after the issue of the Bonus Shares.

Dealings in the Bonus Shares are expected to commence on 27 July 2001, and will be subject to Hong Kong stamp duty.

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

General Mandate to Repurchase Shares

Pursuant to a resolution of all shareholder(s) of the Company passed on 12 February 2001, a general mandate was given to the Directors to exercise the powers of the Company to repurchase 10% of the Shares of the Company. Such mandate will lapse at the conclusion of the forthcoming annual general meeting of the Company. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in the appendix hereto.

LETTER FROM THE CHAIRMAN

General Mandate to Issue Shares

It will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 10% of the issued share capital of the Company as at the date of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Repurchase Resolution.

ANNUAL GENERAL MEETING

On pages 60 to 64 of the Annual Report, you will find a notice convening the Annual General Meeting at which:

- an ordinary resolution will be proposed to grant to the Directors a general mandate to exercise all powers of the Company to repurchase on the Stock Exchange Shares representing up to 10% of the issued share capital of the Company as at the date of the Repurchase Resolution;
- an ordinary resolution will be proposed to grant to the Directors a general mandate to authorise the Directors to issue, allot and deal with Shares not exceeding 10% of the issued share capital of the Company as at the date of the resolution;
- an ordinary resolution will be proposed to extend the general mandate which will be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares repurchased under the Repurchase Proposal after the granting of the general mandate; and
- the general mandate passed on 12 February 2001 will lapse at the conclusion of the forthcoming annual general meeting of the Company.

An explanatory statement, as required by the Share Repurchases Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution, is set out in the appendix of this document.

RECOMMENDATION

The Directors believe that the proposal for the Bonus Issue, the Repurchase Proposal and the general mandate for Directors to issue new Shares are all in the interests of the Company and the Shareholders. The Bonus Issue will provide the Company with a wider capital base and therefore increase the marketability of the Shares. Share repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per Share and will only be made when the Directors believe that such a share repurchase will benefit the Company and its Shareholders. Accordingly, the Directors recommend that all shareholders should vote in favour of the resolutions set out in the notice of Annual General Meeting as they intend to do themselves in respect of their own holdings, if any.

LETTER FROM THE CHAIRMAN

ACTION TO BE TAKEN

A notice convening the Annual General Meeting to be held at Sung Room I, 4/F., Sheraton Hong Kong Hotel, 20 Nathan Road, Kowloon, Hong Kong on 10 July 2001 at 10:00 a.m., is set out on pages 60 to 64 in the Annual Report of the Company dated 12 June 2001. Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the form of proxy accompanying the annual report of the Company dated 12 June 2001 in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of a form of proxy will not preclude you from attending and voting in person if you so wish.

By Order of the Board
Lau Hon Kwong, Vincent
Chairman

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution. For the purpose of this Appendix, the term “shares” shall be as defined in the Code on the Share Repurchases to mean shares of all classes and securities which carry a right to subscribe or purchase shares.

1. Share Repurchase Rules

The GEM Listing Rules permit companies whose listings is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company's memorandum of association and articles of association and the Companies Law. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases by the Company may be made out of profit or out of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the articles or association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits or from sums standing to the credit of the share premium account of the Company or, if authorised by the articles or association and subject to the Companies Law, out of capital.

(iii) *Connected parties*

In accordance to the GEM Listing Rules, a company is prohibited from knowingly repurchasing securities on GEM from a “connected person”, that is, a director, chief executive, substantial shareholder or management shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his securities to the company on GEM.

2. Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 449,068,000 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 44,906,800 Shares representing not more than 10% of the issued share capital of the Company at the Latest Practicable Date.

3. Reasons for Repurchase

The Directors believe that it is in the best interest of the Company and its shareholders for the Directors to have general authority from the shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

4. Funding of Repurchase

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in the Annual Report and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

5. Share Prices

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous four months before the Latest Practicable Date are as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
February	0.90	0.75
March	0.93	0.79
April	1.01	0.89
May	1.06	0.95
June (up to Latest Practicable Date)	1.10	1.08

6. Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

7. Takeover Code

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

8. Share Repurchases made by the Company

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the four months preceding the Latest Practicable Date.