

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 (the “Company”) 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 the Company. The directors of 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.



ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION in respect of the acquisition of the entire issued share capital of Quesco Holdings Limited

The Board is pleased to announce that on 7 December 2001, Capital Ledger Limited, a wholly-owned subsidiary of ITE, entered into the Stock Purchase Agreement to acquire the entire issued share capital of Quesco at a consideration of HK\$11,500,000 (subject to adjustment) in cash. An amount of HK\$8,050,000, representing 70% of the Consideration (subject to adjustment) has been paid and was financed by the internal resources of the Group. The outstanding amount of the Consideration (subject to adjustment) will be paid on 15 June 2002 and is expected to be financed by the internal resources of the Group.

Quesco is principally engaged in the provision of IT system integration services, applications design, development and implementation, application and system maintenance services and contract staff consultancy services.

Based on the Consideration and the adjusted net tangible assets of the Group (calculated based on the audited net tangible assets of the Group as at 31 March 2001, as adjusted by the results for the six months ended 30 September 2001 and the dividend declared), the Quesco Acquisition constitutes a discloseable transaction of ITE pursuant to Chapter 19 of the GEM Listing Rules. The Circular will be despatched to the shareholders of ITE as soon as practicable.

STOCK PURCHASE AGREEMENT

Date: 7 December 2001

Purchaser: Capital Ledger Limited, a wholly-owned subsidiary of ITE

Vendors: the Vendors, who are independent to the directors, the chief executive, the management shareholders and the substantial shareholders of ITE and its subsidiaries or their respective Associates

Consideration

The total consideration for the Quesco Acquisition amounts to HK\$11,500,000 (subject to adjustment). The Consideration has been agreed to be paid in the manner detailed below:

(a) *Initial Purchase Price*

HK\$8,050,000, being 70% of the Consideration (subject to adjustment), has been paid in cash on 7 December 2001.

(b) *Deferred Payment*

The balance of the Consideration, which amounts to HK\$3,450,000 (subject to adjustment), shall be payable in cash on 15 June 2002.

The Consideration was determined on an arm's length basis and after taking into account of the client base, the results in the current financial year and the growth potential of Quesco. Since its establishment, Quesco has been awarded IT services contracts by a number of business, government and government-related organisations. Based on the unaudited management accounts of Quesco and the Subsidiary provided by the Vendors, for the six months ended 30 September 2001, the unaudited adjusted consolidated net profit of Quesco and the Subsidiary amounted to approximately HK\$820,000. From 1 April 2001 to the date of the Stock Purchase Agreement, Quesco has completed 8 IT services contracts. According to the Vendors, as at 7 December 2001, Quesco has 99 contracts on hand for rendering IT human resources management services to government units with the latest expiring on 18 August, 2002 for a recurring monthly income of approximately HK\$3,600,000. Quesco is also bidding for a few large-scale government-related IT services contracts. The Directors consider that having taking into account of the above, the Consideration is fair and reasonable so far as ITE and its shareholders as a whole are concerned.

The payment method was resulted from arm's length negotiations between the parties to the Stock Purchase Agreement. The Directors consider that the payment method is fair and reasonable so far as ITE and its shareholders as a whole are concerned.

Under the Stock Purchase Agreement, if the adjusted consolidated profit before taxation of Quesco and the Subsidiary for the year ending 31 March 2002 as shown in the 2002 Accounts is less than HK\$2,000,000, the Vendors and the Key Employee shall jointly and severally pay to the Purchaser an amount equivalent to the difference between the Guaranteed Profit and the Actual Profit multiplied by a

factor of 5.75. The shortfall, if any, shall be paid by the Vendors and the Key Employee to the Purchaser by way of (i) first, a deduction in the Deferred Payment provided that the maximum deduction shall not exceed HK\$3,450,000; and (ii) second, a deduction in the salary of the Key Employee under his service agreement with Quesco for the period from 1 December 2001 to 31 March 2002; and (iii) third, claims against the personal properties of the Key Employee. The Key Employee is required to provide such guarantee, since he is one of the Vendors and is one of the senior management staff of Quesco before and after the completion of the Quesco Acquisition.

The Company will announce the Actual Profit and any shortfall or excess (if any) resulted therefrom in its annual results announcement for the year ending 31 March 2002.

The Consideration paid or to be paid by the Purchaser was and will be financed by the internal resources of the Group.

Board Composition

Pursuant to the Stock Purchase Agreement, all of the previous members of the board of Quesco have resigned on 7 December 2001 and the Purchaser has appointed the new board members comprising the Key Employee and three other members nominated by ITE.

Completion

The Quesco Acquisition was completed on 7 December 2001.

SERVICE AGREEMENT WITH THE KEY EMPLOYEE

Pursuant to the Stock Purchase Agreement, Quesco has agreed to employ the Key Employee as its managing director and the Key Employee accepts the appointment for an initial term starting from 1 December 2001 and expiring on 31 March 2004 and will continue thereafter until termination by three months' notice in writing served by either party on the other. The Key Employee will receive a monthly salary of HK\$100,000, which is subject to annual review and adjustment as set out in the paragraph headed "Consideration" above. In addition, the Key Employee is also entitled to a management bonus subject to performance of each financial year.

INFORMATION OF QUESCO

Quesco is one of the leading IT services providers based in Hong Kong and is currently providing services to about 20 clients. Quesco provides IT solutions to a large number of major business, government and government-related organisations in Hong Kong including Information Technology Services Department, the Hospital Authority, the Independent Commission Against Corruption and Mandatory Provident Fund Schemes Authority. Its scope of activities consists of the provision of IT system integration services, applications design, development and implementation, application and system maintenance services and contract staff consultancy services. As at 7 December 2001, Quesco employed a total of 118 staff members, of which 110 staff members are engaged in IT-related functions.

Quesco was founded by the Key Employee in 1990. Immediately prior to the completion of the Quesco Acquisition, besides Yap Henry Fat Suan, all of the Vendors were directors of Quesco. After the completion

of the Quesco Acquisition, only the Key Employee, remains as a director and senior management staff of Quesco, whilst the other Vendors resigned from the board of Quesco. Besides the Key Employee, none of the Vendors acted or will act as management staff of Quesco before or after the completion of Quesco Acquisition. Prior to the completion of the Quesco Acquisition, only the Key Employee involved in the daily management of Quesco. The Board has no present intention to appoint the Key Employee as a Director.

Quesco and the Subsidiary recorded an audited consolidated loss of approximately HK\$9,356,000 and approximately HK\$317,000 for each of the year ended 31 March 2001 and 31 March 2000 respectively. As at 31 March 2001, the audited net tangible assets of Quesco was approximately HK\$1,655,000. According to the Vendors, the loss incurred during the past financial year was mainly due to unexpected extra resources required for implementing certain projects. The Directors will review the operations of Quesco and implement necessary measures, as and when necessary, to avoid similar underestimation.

REASONS FOR THE ACQUISITION

The Group is a smartcard solution provider and system integrator.

Quesco has established itself as a professional IT services provider in Hong Kong since 1990. Quesco has substantial track records and experiences in providing IT services to both public and private sectors in Hong Kong. In particular, Quesco has been engaged by various units of the Government of the Hong Kong SAR and delivered services in compliance with the best IT practices, standard and methodologies of the Information Technology Services Department.

The Directors believe that the Quesco Acquisition presents a good opportunity for the Group to strengthen the Group's professional IT services and to complement its existing business. In addition, Quesco has a broad customer base in both public and private sectors, which will add synergies to and expand the Group's business network and scope of services. The existing pool of IT professionals of Quesco will also strengthen the Group's research and development capability.

The Directors consider the terms of the Quesco Acquisition to be fair and reasonable and in the best interests of ITE and its shareholders as a whole.

GENERAL

Based on the Consideration and the adjusted net tangible assets of the Group (calculated based on the audited net tangible assets of the Group as at 31 March 2001, as adjusted by the results for the six months ended 30 September 2001 and the dividend declared), the Quesco Acquisition constitutes a discloseable transaction of ITE pursuant to Chapter 19 of the GEM Listing Rules. The Circular will be despatched to the shareholders of ITE as soon as practicable.

The Directors confirm that they have no present intention to change the composition of the Board. The Directors also confirm that the business objectives and the use of proceeds as set out in the prospectus of the Company dated 15 February 2001 have not been changed.

DEFINITIONS

“2002 Accounts”	means the audited consolidated balance sheet of Quesco and the Subsidiary as at 31 March 2002 and the audited consolidated profit and loss account of Quesco and the Subsidiary for the period commencing from 1 April 2001 and ending on 31 March 2002
“Actual Profit”	means the adjusted consolidated profits before taxation of Quesco and the Subsidiary for the year ending 31 March 2002 as shown in the 2002 Accounts
“Associates”	as defined in the GEM Listing Rules
“Board”	means the board of directors of ITE
“Circular”	means a circular containing the details of the Quesco Acquisition to be issued by ITE and despatched to the shareholders of ITE pursuant to the GEM Listing Rules
“Consideration”	means the amount up to HK\$11,500,000 (subject to adjustment), being the consideration payable by the Purchaser to the Vendors pursuant to the Stock Purchase Agreement, which consists of the Initial Purchase Price and the Deferred Payment
“Deferred Payment”	means the amount of HK\$3,450,000 (subject to adjustment) to be paid by the Purchaser pursuant to the Stock Purchase Agreement
“Director”	means the directors of ITE (including independent the non-executive directors)
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“Group”	means ITE and its subsidiaries
“Guaranteed Profit”	means the consolidated profit before taxation of Quesco and the Subsidiary for the year ending 31 March 2002 of HK\$2,000,000, as guaranteed by the Vendors and the Key Employee pursuant to the Stock Purchase Agreement
“HK\$”	means Hong Kong Dollars
“Initial Purchase Price”	means the amount of HK\$8,050,000 paid by the Purchaser to the Vendors at the completion of the Quesco Acquisition
“ITE”	means ITE (Holdings) Limited

“Key Employee”	means Yu Cheuk Sin, one of the Vendors
“Purchaser”	means Capital Ledger Limited, a limited liability company incorporated in the British Virgin Islands on 15 September 2000, being a wholly-owned subsidiary of ITE
“Quesco”	means Quesco Holdings Limited, a private company incorporated in Hong Kong, which is independent from the Directors, chief executive, substantial shareholders or management shareholders of ITE and its subsidiaries or any of their Associates
“Quesco Acquisition”	means the acquisition by the Purchaser of the entire issued share capital of Quesco from the Vendors pursuant to the Stock Purchase Agreement
“Vendors”	means the holders of all of the issued shares of Quesco immediately prior to the completion of the Stock Purchase Agreement. Immediately prior to the completion of the Stock Purchase Agreement, Quesco was owned as to 20% by Yu Cheuk Sin, 20% by Wong Wing Sang Stephen, 20% by Tang Hiu Lok, 25% by Yap Henry Fat Suan and 15% by Li Chun Kee. All of the Vendors are independent of the Directors, chief executive, substantial shareholders or management shareholders of ITE and its subsidiaries or their respective Associates
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Stock Purchase Agreement”	means the agreement dated 7 December 2001 entered into by the Purchaser, the Key Employee and the Vendors in respect of the Quesco Acquisition
“Subsidiary”	means Quesco Systems Limited, a limited liability company incorporated in Hong Kong, being a wholly-owned subsidiary of Quesco. Each of the directors of the Subsidiary prior to the Completion is independent to the directors, the chief executive, the substantial shareholders and management shareholder of the Company and its subsidiaries or their respective Associates

By Order of the Board of
ITE (Holdings) Limited
Lau Hon Kwong, Vincent
Chairman

Hong Kong, 10 December 2001

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