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ITE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

2001 / 2002
First Quarterly Report

CHARACTERISTICS OF THE GEM

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This document, 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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SUMMARY

For the three months ended 30 June 2001, the Group recorded a total revenue of approximately HK\$14 million, representing an increase of 30% over the same period in 2000.

Profit attributable to the shareholders for the three months ended 30 June 2001 was approximately HK\$5 million, representing an increase of approximately 8% as compared to the corresponding period in 2000.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors ("the Board"), I hereby present herein the quarterly unaudited consolidated results for ITE (Holdings) Limited ("ITE" or the "Company") and its subsidiaries (together, the "Group") for the three months ended 30 June 2001 (the "Period").

It is always the mission of the Company to be the leading smartcard and radio frequency identification ("RFID") solution provider and system integrator in the Asia Pacific region. ITE has been pioneering smartcard system solutions and has been performing outstandingly in Hong Kong. With our expertise, strong research and development ("R&D") capability, proven track record and reputation in the industry, the Company has established a leading profile in the Hong Kong smartcard industry and has taken a proactive approach in introducing innovative and customized smartcard applications to our clients. Leveraging on our extensive industry experience, we are developing new smartcard and RFID solutions and are expanding our business activities into the People's Republic of China (the "PRC") and other countries in Asia Pacific region.

During the Period, the Company and its committed professional staff strived to achieve maximum return to our shareholders and will continue to pursue this goal.

CHAIRMAN'S STATEMENT (Con't)

Business Review

- The Company strengthened its R&D capabilities and developed new application systems based on various smartcard and RFID technologies. Our SIMS 400 Smart Items Management System Development was completed. We will participate in the competition for the 2001 Hong Kong Awards for Industry: Machinery and Equipment Design organized by the Chinese Manufacturers' Association of Hong Kong. We have also targeted for the official system launch of SIMS 400 Smart Items Management System Development at the time of the Innovation Expo organized by the Innovation and Technology Commission of the HKSAR in November 2001. A Java card and biometrics based contact type solution has been under development and is expected to be launched in the third quarter of this year.
- The Company strengthened its sales and marketing team to offer professional assistance to clients from different industries. The first pilot contactless smartcard project for public estate of the Housing Department and the Housing Authority of the HKSAR was successfully completed. We have entered into discussions for more projects after this pilot project.
- The Octopus Card based Smart Access System has been launched and is being promoted to leading real estate and property management companies, incorporated owners of buildings and government authorities including the Hong Kong Housing Authority and the Hong Kong Housing Society. Direct marketing effort has also been made to promote the solutions to other commercial organisations in Hong Kong.
- The Company has completed the first smartcard based logistics system for Asia Airfreight Terminal. We have also been awarded a similar project by the Hong Kong International Terminal. The project will cover a community of a number of users exceeding 23,000. The first phase of this project is scheduled to be completed in the third quarter this year.

CHAIRMAN'S STATEMENT (Con't)

- Within the campus market, we have continued to promote our solutions and to enhance the existing services to both our existing and new clients. During the Period, we were awarded the first campus smartcard project of the University of Science and Technology. The project, which is scheduled to be completed in the third quarter, is the first Java card based campus solution in Hong Kong.
- For overseas business expansion, we continue to negotiate for new projects in the PRC and other South East Asia countries. The incorporation of our wholly-owned subsidiary in the PRC, ITE (China) Limited, was approved by the Shanghai government authorities on 27 June 2001. ITE (China) Limited was incorporated as a foreign enterprise in the PRC to be engaged in R&D, production, project implementation, sales and marketing. The successful incorporation of ITE (China) Limited represents a big step for us in the tremendous market of the PRC.

Outlook

We see exciting and positive opportunities for future growth, particularly on our core businesses building on smartcard and RFID technology and the enhancement of services. We are confident that our commitment to the development of our business will lead to further strengthening of our leading position.

I would like to take this opportunity to express my deepest gratitude to all members of the Board and staff for their dedication and contribution to our Company and to those who have continuously supported us.

Lau Hon Kwong, Vincent
Chairman and Chief Executive Officer

Hong Kong, 13 August 2001

QUARTERLY RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2001 together with the comparative unaudited consolidated figures of the corresponding period in 2000 as follows:

	Note	Three Months ended 30 June	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	14,279	11,025
Gross profit		9,277	6,338
Profit before taxation		5,788	5,133
Taxation	3	(900)	(600)
Profit attributable to shareholders		4,888	4,533
Earnings per share	4		
Basic		1.09 cents	1.13 cents
Diluted		1.07 cents	–

Notes:

1. Basis of preparation

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on GEM, the Company became the holding company of the companies comprising the group on 18 November 2000. Details of the Reorganisation are set out in the Prospectus of the Company dated 15 February 2001. Under the merger basis of accounting, the unaudited consolidated results of the Group comprise the results of all companies now comprising the Group as if the current Group structure had been in existence throughout the

QUARTERLY RESULTS (Con't)

periods covered by this report or since their respective dates of incorporation, where this is a shorter period.

The 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. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2001.

All significant intra-group transactions and balances have been eliminated in preparing the consolidated financial statements.

2. Turnover

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

3. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the periods.

4. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 June 2001 is based on the profit attributable to shareholders for the period of approximately HK\$4,888,000 (three months ended 30 June 2000: approximately HK\$4,533,000) and 449,068,000 shares (three months ended 30 June 2000: 400,000,000 shares) in issue during the respective periods. In determining the weighted average number of shares, a total of 400,000,000 shares issued after the incorporation of the Company and reorganisation of the Group immediately but before the issue

QUARTERLY RESULTS (Con't)

of new shares to the public pursuant to the listing of the Company's share were deemed to have been issued since 1 April 2000.

The calculation of diluted earnings per share for the Period is based on the profit attributable to shareholders for the Period of approximately HK\$4,888,000 and the weighted average number of ordinary shares of 456,790,465 shares after adjusting for the effects of all dilutive potential ordinary shares. The comparative diluted earnings per share has not been calculated because no diluting events existed during the period.

MOVEMENT IN RESERVES

	Share premium HK\$'000	Retained profits HK\$'000	Merger reserve HK\$'000	Total HK\$'000
As at 1 April 2001	26,509	11,590	10,749	48,848
Profit for the period	–	4,888	–	4,888
As at 30 June 2001	26,509	16,478	10,749	53,736

The only movement during the period from 1 April 2000 to 30 June 2000 was the profit attributable to the shareholders of approximately HK\$4,533,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2001 (three months ended 30 June 2000: Nil).

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 30 June 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' interests in shares".

SHARE OPTION SCHEME

On 10 April 2001, by passing a board resolution, the Company has granted share options to certain employees of the Group to subscribe for an aggregate of 4,188,000 shares at a subscription price of HK\$0.91 per share (adjusted to HK\$0.455 per share after completion of the bonus issue as described in the paragraph "Bonus Issue" below) pursuant to clause 4.2 of the share option scheme adopted by the Company on 12 February 2001. The share options shall be exercisable during the period from 10 April 2002 to 9 April 2004. As at 30 June 2001, the share options to subscribe for these 4,188,000 shares remained outstanding. During the Period, no options have been exercised.

DIRECTORS' INTEREST IN SHARES

The directors of the Company who held office at 30 June 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: As at 30 June 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 approximately 55.34% interest, in the Company.

As at 30 June 2001, the directors of the Company had the following personal interests in options to subscribe for shares of the Company granted at nominal consideration under a share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

Apart from the following interests, at no time during the Period 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.

DIRECTORS' INTEREST IN SHARES (Con't)

	No. of options outstanding at the Period end	Date granted	Period during which options exercisable	No. of shares			
				acquired on exercise of options during the Period	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	-

PURCHASE, SALE AND REDEMPTION OF SHARES

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

COMPETING INTERESTS

During the Period, none of the directors or the initial management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

BONUS ISSUE

On 12 June 2001, the directors recommend a bonus issue of one new ordinary share for every one then 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. With the shareholders' approval at the annual general meeting of the Company held on 10 July 2001 and the permission from the Stock Exchange, the bonus shares have been allotted and despatched in July 2001.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Group. The first meeting was already held on 10 July 2001.

The audit committee comprises two independent non-executive directors, namely Mr. Lee Peng Fei, Allen and Mr. Tsao Kwang Yung, Peter and an executive director, Mr. Liu Hoi Wah.

SPONSOR'S INTEREST

To the best knowledge of the Company's sponsor, Vickers Ballas Capital Limited ("Vickers Ballas"), its directors, employees or associates (as defined in the GEM Listing Rules), did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June 2001.

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 continuing sponsor for the period from 21 February 2001 to 31 March 2003 in return for a monthly advisory fee.

By order of the Board

Lau Hon Kwong, Vincent

Chairman

Hong Kong, 13 August 2001