





STOCK NAME

AND
WELCOME !!!
MR.
LAU HON KWONG
VINCENT
CHAIRMAN
OF
ITE
(HOLDINGS)
LIMITED

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 issuers.

OUR MISSION



It is our mission to enhance life automation through the implementation of Smartcard and RFID technologies.



CONTENTS

Corporate Information	2
Financial Summary	3
Chairman's Statement	4-9
Business Objectives Review	10-15
Profiles of Directors and Senior Management	16-17
Report of the Directors	18-25
Report of the Auditors	26
Consolidated Profit and Loss Account	27
Consolidated Balance Sheet	28
Balance Sheet	29
Consolidated Cash Flow Statement	30-31
Notes on the Financial Statements	32-59
Three Year Summary	60
Notice of Annual General Meeting	61-64

Executive Directors

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

2 Corporate Information

Audit Committee

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

Auditors

KPMG

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

Hong Kong Branch Share Registrar and Transfer Office

Central Registration Hong Kong Limited

Registered Office

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

Head Office and Principal Place of Business

Floor 21, Stelux House
698 Prince Edward Road East, San Po Kong
Kowloon, Hong Kong

Financial Summary

GROUP RESULTS

	Year Ended 31 March	
	2002	2001
	HK\$'000	HK\$'000
Turnover	62,849	45,669
Profit from ordinary activities before taxation	5,138	19,062
Taxation	304	2,800
Profit attributable to shareholders	4,834	16,262
Dividends	2,724	3,418

EARNINGS PER SHARE

	Year Ended 31 March	
	2002	2001
	cents	cents
Basic earnings per share	0.53	2.01
Diluted earnings per share	0.50	1.99

Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$4,833,880 (2001: HK\$16,262,425) and the weighted average of 903,581,535 ordinary shares (2001: 810,485,764 shares after adjusting for the bonus issue in 2002) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of HK\$4,833,880 (2001: HK\$16,262,425) and the weighted average number of ordinary shares of 968,708,399 shares (2001: 817,245,240 shares after adjusting for the bonus issue in 2002) after adjusting for the effects of all dilutive potential ordinary shares.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Directors"), I hereby present the annual results of ITE (Holdings) Limited ("ITE" or the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2002.

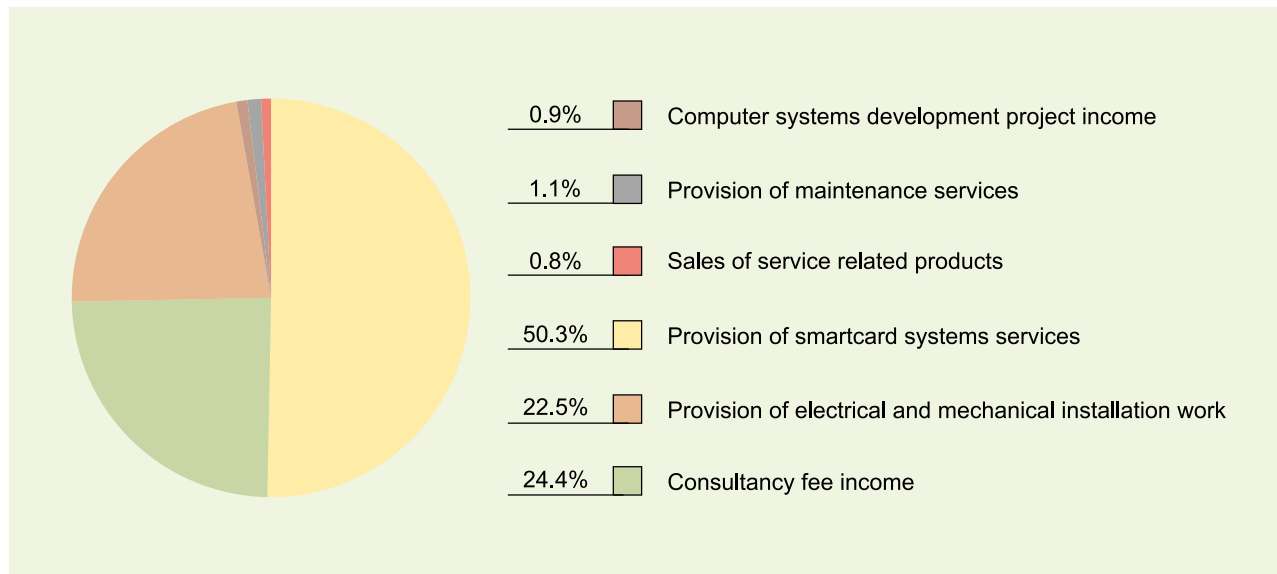
Mission

The mission of the Group is to become 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 integration and has been performing outstandingly in Hong Kong. With profound expertise, strong research and development ("R&D") capability, proven track record and excellent reputation in the industry, the Group has established a leading profile in the smartcard industry in Hong Kong and has taken a proactive approach to introduce innovative and customised smartcard applications to its clients. Leveraging on its extensive industry experience, ITE is developing smartcard and RFID solutions for clients from many industries and expanding its business activities into the People's Republic of China ("PRC") and other countries in the Asia Pacific region.

Financial Performance

For the year ended 31 March 2002, the Group recorded a total revenue of approximately HK\$62.8 million, representing an increase of 38% over last year. Profit attributable to the shareholders for the year ended 31 March 2002 was approximately HK\$4.8 million, representing a decrease of approximately 70% as compared to a profit of approximately HK\$16.3 million for the last year.

Turnover Breakdown by Main Business Segments (Pie Chart below)



Chairman's Statement

The local economic slowdown has had an adverse impact on demand of sophisticated multi-applications smartcard solutions. Accordingly, the sales growth and profit margins of the Group have been affected. The Directors also expect that the terrorist attacks in the United States on 11 September 2001 will further compound an already difficult market environment. Nonetheless, with the solid foundation that the Group has built up in its core markets, the Directors are highly confident in the sales outlook in the future.

Discussion and analysis of the Group's financial condition and results of operations:

Liquidity and Financial Resources

The Group generally financed its operations and investing activities with internally generated cash flows, the balance of the proceeds from the Placing and bank facilities.

As at 31 March 2002, the Group had bank and cash balances of approximately HK\$15 million (2001: approximately HK\$38 million) and secured bank loans of approximately HK\$4 million (2001: HK\$Nil).

The Board is confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Foreign Exchange Exposure

It is the Group's policy to allow each operating entity to borrow in local currencies, where possible, to minimise currency risk.

Capital Structure

During the year, the Company issued 458,928,000 new ordinary shares at par value of HK\$0.01 each, comprising 449,068,000 bonus shares issued and 9,860,000 shares allotted at HK\$0.095 each pursuant to the exercise of the share options under the pre-IPO share option scheme of the Company.

Charges on the Group's Assets

As at 31 March 2002, the Group's time deposits of HK\$5,387,186 were pledged to a bank as security for general banking facilities granted to a subsidiary of the Company.

Significant Investments

As at 31 March 2002, the Group did not held any significant investments apart from the acquisition of Quesco Holdings Limited ("Quesco") as disclosed in "Material Acquisition" below.

Material Acquisition

On 7 December 2001, the Group acquired the entire issued share capital of Quesco at a consideration of HK\$11,500,000 paid and payable in cash. Quesco is one of the leading IT services providers in Hong Kong. The Directors believe that the acquisition of Quesco presents a good opportunity for the Group to strengthen its professional IT services and to complement its existing business.

Chairman's Statement

Gearing

As at 31 March 2002, the Group did not have any long-term obligations.

Capital Commitment

As at 31 March 2002, the Group did not have any capital commitment.

Contingent Liabilities

As at 31 March 2002, the Company had undertaken to guarantee certain banking facilities granted to a wholly-owned subsidiary of the Company to the extent of HK\$11,000,000.

Employee Information

As at 31 March 2002, the Group had 183 full-time employees. All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis in conjunction with the general framework of the Group's salary and bonus system which is reviewed annually. In addition, the Group also adopted an employee share option scheme whereby the employees of the Group may be granted share options to subscribe for shares in the Company for the purpose of recognising the contribution made by the employees of the Group and retaining the services of the employees who will continue to make valuable contribution to the Group. During the year, the Company had granted share options, in the aggregate of 20,028,000 shares, to the employees of the Group.

Business Review

On February 22, 2002, the Company's wholly-owned subsidiary, 上海阿艾依智控系統有限公司(ITE (China) Limited), signed a co-operative agreement with a Shanghai traffic smartcard service provider, the Shanghai Public Traffic Card Company Limited ("SPTCC") to adopt their card platform for the development and marketing of value-added applications, solutions and services for the Shanghai transportation market. The business scope covers access control, parking, e-purse, loyalty scheme and e-ticketing. The Directors believe that such strategic alliance has further proven the strength and reputation of the Group and will bring to the Group an immediate access to the fast growing PRC market and strong revenue stream from the Shanghai area.

Established in May 1999, SPTCC was approved by the Shanghai Municipality Government as the only smartcard platform provider for transportation fare collection applications. The platform has issued close to 3 million pieces of cards with more than 40,000 readers and terminals installed. Being the largest traffic smartcard platform in the PRC, SPTCC forecasts that the number of users in Shanghai will hit 5 million by the end of 2002. Apart from Shanghai, which has a population in excess of 10 million, SPTCC is actively expanding the platform to cover cities surrounding Shanghai, including Suzhou and Wuxi, etc.

Chairman's Statement

Subsequent to the signing of the co-operative agreement with SPTCC, ITE (China) Limited has obtained a number of contracts with several leading intelligent real estate system integrators in Shanghai. Up to the end of this fiscal year, a number of developers have confirmed the adoption of the new system. ITE (China) Limited has continued its discussions with SPTCC regarding a loyalty scheme infrastructure, and has proceeded discussion with other traffic card services providers across the PRC on similar business model. Since its establishment in June 2001, ITE (China) Limited has already completed a project in Guangzhou which brought in further profit to the Group.

In December 2001, the Group acquired the entire issued share capital of Quesco. Quesco is one of the leading IT services providers in Hong Kong. Its scope of activities consists of the provision of IT systems integration services, applications design, development and implementation, application and system maintenance services and contract staff consultancy services. Quesco provides IT solutions to a large number of major business, government and government-related organisations in Hong Kong.

The acquisition of Quesco presents a good opportunity for the Group to strengthen its professional IT services and to complement its existing business. In addition, Quesco has a broad customer base in both the public and the private sectors, which will add synergies to and help expand the Group's business network and scope of services.



(a)



(c)



(b)



(d)

- (a) Shanghai Public Traffic Card Co. Ltd. and ITE Smartcard Solutions Limited warmly welcome by the CEO, Mr. Eric Tai and key executives of Octopus Cards Ltd.
- (b) ITE (China) Limited.
- (c) The Group acquired the entire issued share capital of Quesco in December 2001.
- (d) The signing ceremony for the business agreement between Shanghai Public Traffic Card Co., Ltd. (SPTCC) and ITE (China) Limited on 22 February, 2002 in the relation to strategic cooperation to use SPTCC's platform to develop applications and solutions for the Shanghai market.

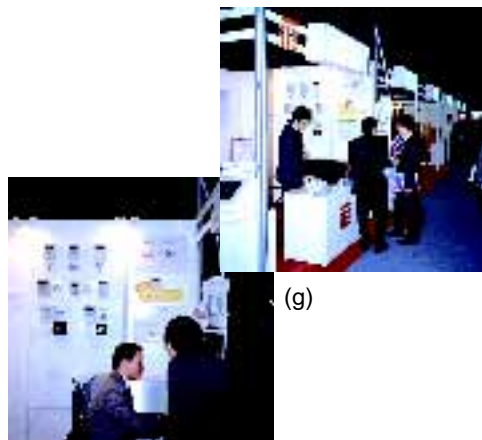
Chairman's Statement

According to the audited results of Quesco, the profit guarantee provision contained in the stock purchase agreement dated December 7, 2001 entered into between a third party vendor and the Group has been met and the completion of the purchase will be made before June 15, 2002.

During the year, the Group continued to strengthen its R&D and has developed new application systems based on various smartcard and RFID technologies. The Group also incurred more expenditure in R&D in order to implement its core strategies.

In November 2001, ITE's Smart Items Management System SIMS-400 was awarded with a Certificate of Merit for Machinery and Equipment Design - Hong Kong Awards for Industry by the Chinese Manufacturers' Association of Hong Kong. SIMS-400 has been developed using RFID smartlabel technology to detect a diverse range of objects attached with a smartlabel or any means of form (e.g. tag) which contains a microchip with an antenna connected. The smartlabel/tag is capable of being identified, tracked and managed at a read/write distance of up to 50cm. This latest RFID technology provides benefits a broad variety of applications such as anti-counterfeiting, library system, parcel services, animals and objects sorting & tracking, retailing & rental supply chain management. With an official launch during the Innovation Expo 2001, the Group has been actively marketing this new RFID solutions for e-government and e-campus applications.

Apart from the SIMS-400, a series of smartcard, biometrics and ISO 15693 readers and controllers have been developed. The Group's new Mifare MF-30SM was launched and type approved by the Office of Telecommunication Authority. The ISO 15693 readers developed supports Infineon's My-d and Texas Instrument's Tag-It technology. R&D continued for handheld, mid and long range readers of ISO 15693 standard.



(f)

(e) ITE's Smart Items Management System SIMS-400 was awarded with a certificate of Merit for Machinery of Equipment Design – Hong Kong Awards for Industry by the Chinese Manufacturers' Association of HK.

(f&g) ITE Smartcard Solutions Limited was launching the new RFID solutions for e-government & e-campus applications during the Innovation Expo 2001.

The Group has continued to strengthen its sales and marketing team. Within the campus market, the Group has continued to promote its solutions and to enhance the campus smartcard services to its clients. The Group was awarded the largest single campus smartcard implementation services contract by the Hong Kong Institute of Education, and selected by the Hong Kong Baptist University for implementation of campus smartcard solutions. In addition, the Group completed the first smartcard solution for the Hong Kong Housing Society and has continued to serve existing and new clients for real estate applications.

Although the Group did not participate in the first phase of the smart ID card project of the Government of Hong Kong Special Administrative Region, the Group has continued to prepare for the tendering of the subsequent phases (immigration control and automatic passenger control systems), which are expected to be issued in the financial year 2003.

Chairman's Statement

For overseas business expansion, the Group has decided not to establish any overseas branches for the time being in view of the global economic slowdown. The Group has, however, continued to work with its partners in Singapore, Malaysia, Philippines and Australia to negotiate for new projects.

Outlook

The Directors believe that the business of the Group had been under significant economic pressure. Decrease in profit attributable to shareholders was primarily due to the increase expenditure in R&D related activities and the rapid slowdown of the local economy which led to dampened demand of sophisticated multi-applications smartcard solutions. After the September 11 incident, the Group has consolidated the local staffing in the fourth quarter of the financial year. However, the Group will continue its quick expansion into the promising PRC market, which is expected to offset the slowdown in the local economy. The Directors also believe that the new ISO 15693 product ranges and solutions will provide a new stream of revenue and profit to the Group in the near future.

Appreciation

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 2002

Business Objectives Review

In compliance with the rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, 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 2002.

Comparison of Objectives and Actual Business Progress

Business objectives up to 31 March 2002 as stated in the Prospectus	Actual business progress up to 31 March 2002
Key business initiatives	
a. Explore and identify opportunities for smartcard applications target to public and private sector users in Hong Kong	The Group has continued to explore opportunities for smartcard and RFID applications targeted at public and private sectors. The marketing team actively promoted new applications like ISO 15693 RFID Smart Items Management, loyalty, asset and e-logistics management to business and government organisations.
b. Prepare and submit the bid for the tender of smart ID card project of the Hong Kong Government	The Group is preparing for the tendering of the new phases which are expected to be issued in the first and third quarters of the financial year 2003.
c. Identify social security and/or national ID projects in the Greater China Region	The Group has continued to identify opportunities relating the second generation national ID card project of the PRC.
d. Commence commercial negotiation in relation to smartcard services business opportunities in Hong Kong	The Group has commenced commercial negotiations in relation to smartcard services business opportunities in Hong Kong. However no agreement has been reached yet.
e. Finalise alliance arrangement with RFID technology inventor	The Group has partnered with Philips Semiconductors, Infineon and HuaHong NEC to develop products based on their RFID technologies and specifications. The Group is under negotiations to form alliance with a world leading RFID technology inventor. An agreement is expected to be finalised in the first quarter of the financial year 2003.

Business Objectives Review

Business objectives up to 31 March 2002 as stated in the Prospectus	Actual business progress up to 31 March 2002
f. Finalise investment in and/or alliance with manufacturer of smartcard and related peripheral hardware products	Due to the uncertain timing of an economic recovery, the Group has slowed down its investment strategy towards manufacturer of smartcard and related peripheral hardware products.
g. Identify business partner to form alliances with and explore smartcard project for mass transportation system in the Asia Pacific region	The Group has signed a co-operative agreement with SPTCC to develop value-added solutions and services based on their card platform. Further discussions are being made on partnership of other business areas.
h. Explore opportunities to acquire or form alliances with companies providing synergies and technological supports	<p>On 7 December 2001, the Group acquired the entire issued share capital of Quesco, a leading information technology system integrator in Hong Kong specialising in application development for government and public administration.</p> <p>The Group is finalising a strategic investment in a leading intelligent real estate system integrator in Shanghai. No agreement has been signed yet.</p>
Sales and marketing	
a. Expansion of the Group's Hong Kong sales and marketing forces by recruiting additional staff members	During the year, the Group has continued to increase its sales and marketing forces.
b. Brand building activities including placing print advertisements, and participation in relevant seminars and exhibitions in the Asia Pacific region	The Group has continued its brand building activities in Hong Kong through direct marketing efforts. The Group has also participated in the Innovation Expo 2001 Hong Kong and has arranged visits with clients to overseas card vendor, e.g. SchlumbergerSema.

Business Objectives Review

Business objectives up to 31 March 2002 as stated in the Prospectus	Actual business progress up to 31 March 2002
c. Initiate sales and marketing activities in the PRC and the Greater China Region	ITE (China) Limited has initiated sales and completed a project in Guangzhou. A number of contracts were signed with contractors in Shanghai for the distribution of SPTCC card based access control and parking solutions. New projects are being negotiated with other system integrators outside Shanghai.
d. Commence co-marketing campaign with manufacturers of smartcard and related peripheral hardware products	The Group has commenced co-marketing campaign with smartcard manufacturers and other solutions providers.
e. Promote smartcard solutions to large to medium sized corporations in Hong Kong	The Group has continued to promote smartcard and RFID solutions to large to medium sized corporations in Hong Kong.
<p>Geographical expansion</p> <p>a. Set up branch office or other forms of presence in the major cities of the PRC (including Shanghai, Guangzhou and Beijing) and Taiwan</p> <p>b. Set up branch office or other form of presence in the United States</p> <p>c. Form strategic alliance with service providers in the Greater China Region</p>	<p>The Group has established a wholly-owned foreign enterprise in Shanghai, ITE (China) Limited. A business and project unit was established in Guangzhou. The Group targets to establish a subsidiary in Beijing in the third quarter of the financial year 2003. The Group has not set up a branch office in Taiwan this year.</p> <p>In view of global economic slowdown, the Group has not set up branch office in the United States this year.</p> <p>The Group has formed strategic alliances with SPTCC. Discussions are being made with other services providers in the PRC.</p>
<p>New services and applications</p> <p>a. Launch Octopus card based access control solution</p>	The Group has launched the Octopus card based access control solutions which brought in additional revenue to the Group during the year.

Business Objectives Review

Business objectives up to 31 March 2002 as stated in the Prospectus	Actual business progress up to 31 March 2002
<p>b. Launch biometrics and public key infrastructure based smartcard solutions for PC & network security applications solutions</p>	<p>The Group has launched a series of fingerprint based smartcard products and solutions. The Group has continued to develop public key infrastructure based smartcard solutions for PC and network security applications solutions.</p>
<p>c. Launch smartcard service provider business in Hong Kong</p>	<p>The Group has delayed the launch of smartcard service provider business in Hong Kong.</p>
<p>Major project</p> <p>a. Participate in smartcard projects for campus and real estate in Hong Kong</p>	<p>The Group has continued to participate in smartcard projects for campus and real estate. The Group was awarded one of the largest campus smartcard projects by the Hong Kong Institute of Education and was selected by the Hong Kong Baptist University to provide them with campus smartcard solutions.</p>
<p>b. Participate in national smart ID card project and other smartcard based social security project in the Greater China Region</p>	<p>The Group has continued to explore opportunities in the PRC national smart ID card and social security projects.</p>
<p>R&D</p>	
<p>a. Complete development of Octopus card based access control solutions</p>	<p>The Group has completed the Octopus card based access control solutions.</p>
<p>b. Launch prototype product, commence trial test and complete development on biometrics and public key infrastructure based smartcard solution for PC & network security application</p>	<p>The Group has launched a series of biometrics smartcard products and solutions for PC and network security application based on Infineon FingerTIP technology and Java/Multos platform.</p>
<p>c. Continue technical and application development for the Hong Kong smart ID card project</p>	<p>The Group has continued the technical and application development for the Hong Kong smart ID card project, including the immigration control and automatic passenger control systems.</p>
<p>d. Continue R&D of smartcard based automatic fare collection and metering application for mass transportation system</p>	<p>The Group has continued R&D of smartcard based automatic fare collection and metering application for mass transportation system according to Philips Mifare and ISO 14443 Type B standard.</p>

Business Objectives Review

Business objectives up to 31 March 2002 as stated in the Prospectus	Actual business progress up to 31 March 2002
e. Continue R&D, launch prototype product and commence trial test on embedded Linux solution for intelligent facility management system	The Group has completed and launched a new embedded Linux controller (CIU) for intelligent facility management system.
f. Continue R&D of solutions for smartcard service provider business	The Group has commenced the R&D of GSM SIM applications for a potential mobile virtual network operator (MVNO) in Hong Kong.
g. Commence R&D, launch prototype product and commence trial test on RFID based supply chain and logistics management solution	<p>The Group has completed the development of a new RFID Smart Items Management System (SIMS-400). The System was awarded with a Certificate of Merit for Machinery and Equipment Design – Hong Kong Awards for Industry by the Chinese Manufacturers’ Association of Hong Kong.</p> <p>The Group has completed a series of RFID reader supporting the new ISO 15693 standard, Infineon’s My-d and Texas Instrument’s Tag-It smartlabel technologies.</p>
h. Commence R&D, launch prototype product and commence trial test on wireless and mobile network solution	The Group has continued to develop a series of mobile reader module with compact flash slot interface to PDA. The product range is expected to be launched in the second quarter of the financial year 2003.
i. Commence and continue R&D of smartcard solution for financial institutions	The Group has continued to develop reader and smartcard solutions according to the EMV (Europay-Master-Visa) standard and Proton specifications.
j. Commence R&D, launch prototype product and commence trial test on smartcard application for e-commerce, ASP, ERP solutions	The Group has continued the technical and commercial studies of smartcard applications for internet online games.
k. Continue system development of other RFID applications	The Group has commenced the development of Smart Key Management System for custody environment based on the new ISO 15693 standard.
<p>Quality assurance</p> <p>a. Establish quality assurance system in accordance with requirements of ISO9000 quality certification</p>	The Group has continued to build up the quality assurance system according to ISO9001:2000 System. The first third party trial audit is scheduled to be held in the second quarter of the financial year 2003.

Business Objectives Review

Use of Net Proceeds from the Placing

		Amount to be used up to 31 March 2002 as disclosed in the Prospectus <i>HK\$'M</i>	Actual amount used up to 31 March 2002 <i>HK\$'M</i>
R&D of smartcard and RFID technological know-how and applications relating to, inter alia, national ID, social security, e-commerce and e-logistics		8.0	8.0
Expanding the Group's operations in the Asia Pacific region (including the PRC) and other selected countries by way of, inter alia, establishment of offices and organising promotional activities in those countries		5.0	5.0
Strategic acquisition of and/or investment in companies whose businesses are of synergistic value to the Group		4.0	4.0
Vertical integration along the smartcard value-added chain by way of, inter alia, investment in manufacturers of smartcard and the related peripheral equipment	Note	4.0	0.0
Promotion and business development for new value-added services and application fields		3.0	3.0
Expanding the Group's operations in Hong Kong by way of expansion of sales force, direct marketing and brand building activities		1.0	1.0
Enhancement of the Group's quality assurance system		1.0	1.0
Working capital of the Group		2.0	2.0
		28.0	24.0

Note: The Group is in the process of negotiating with several potential companies and no concrete agreements have been reached.

The remaining net proceeds have been deposited in licensed banks in Hong Kong pending appropriate investments.

Profiles of Directors & Senior Management

Directors

Executive Directors

Mr. Lau Hon Kwong, Vincent, aged 38, is an executive Director, 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 15 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 39, is an executive Director, Chief Operating Officer and one of the founders of the Group. He is responsible for marketing and project management of the Group. He has 14 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.

Mr. Cheng Kwok Hung, aged 39, 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 18 years of experience in R&D and production management. He is a five times winner of product design award of the Hong Kong Awards for Industry (one product design in each of 1993, 2000 and 2001 and two designs in 1997). He holds a high diploma in Electronics Engineering from the Hong Kong Polytechnic.

Mr. Liu Hoi Wah, aged 33, 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 11 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.

Independent Non-Executive Directors

Mr. Lee Peng Fei, Allen, JP, CBE, aged 62, is currently a director of a number of public companies in Hong Kong. He is also 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 68, 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 of 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

Senior Management

Mr. Yu Cheuk Sin, aged 45, is the Managing Director of Quesco. Mr. Yu has been involved in the IT industry since 1987 and has previously held important marketing and management positions with several international IT companies. Mr. Yu is responsible for the overall business development and the operations of the wholly-owned subsidiary, Quesco Systems Limited (“Quesco Systems”). Apart from overseeing the business development of Quesco Systems, Mr. Yu is spearheading various strategic partnering arrangements with several international vendors for the pursuit of a number of sizeable IT project initiatives in the region.

Mr. Wong Chi Cheung, Eddie, aged 39, is the Operations Director of Quesco. Mr. Wong started his IT profession since 1987. With over 15 years of systems development and project management experience, Mr. Wong had participated in various sizeable project implementations covering all aspects of the system development life cycle. Mr. Wong is responsible for deploying skilled manpower resources for Quesco Systems’ commissioned project assignments as well as managing quality deliverables to clients. He is also well versed in practicing various methodologies such as SSADM, PRINCE, FPA, ISO9000 etc. which are widely adopted by many multinational corporations and the Government of the Hong Kong SAR.

Mr. But Wui Fai, aged 34, is the Senior Project Manager of the Group. Mr. But has 11 years’ experience in IT industry primarily on project management, systems design and implementation. He had achieved many project assignments in government sectors, public utilities and many public listed companies with full satisfaction. Before joining the Group in September 2001, he worked for an IT consultancy company in Hong Kong for 10 years.

Mr. Chow Tak Hing, aged 43, is the Logistics Manager of the Group. He oversees the inventory control of the Group. Before joining the Group in April 1998, he worked for a trading company in Hong Kong for 10 years.

Mr. Kam Wai Tak, aged 38, is the System Manager of the Group. He is responsible for the system design in both product hardware and software. He has 14 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. Luk Wai Suen, aged 53, is the Senior Consultant of the Group. He has 21 years’ experience in R&D of system networking. He is responsible for giving advice to the system development for new product development and the design of the software system. 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. Yuk Wai Kwok, aged 37, is the Senior Marketing Manager of the Group. He is responsible for overall market development of the Group. Mr. Yuk has 11 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.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2002.

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 14 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 11 on the financial statements.

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	22%	
Five largest customers in aggregate	54%	
The largest supplier		4%
Five largest suppliers in aggregate		14%

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.

Financial Statements

The profit of the Group for the year ended 31 March 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 27 to 59.

An interim dividend of HK\$0.003 per share (2001: HK\$1 per share) was paid on 7 December 2001. The directors do not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: HK\$Nil).

Report of the Directors

Bonus Issue

The directors recommended 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 appeared on the register of members at the close of business on 29 June 2001. Upon the shareholders' approval at the annual general meeting of the Company held on 10 July 2001 and the permission from the Stock Exchange of Hong Kong Limited ("Stock Exchange"), the bonus shares were allotted and despatched in July 2001. The bonus shares rank pari passu in all respects with the then existing shares of the Company.

Fixed Assets

Details of movements in fixed assets during the year are set out in note 12 on the financial statements.

Share Capital

Details of movements in share capital of the Company during the year are set out in note 22 on the financial statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in note 23 on the financial statements.

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

George Roger Manho

Cheng Kwok Hung

Liu Hoi Wah

Independent non-executive directors

Lee Peng Fei, Allen

Tsao Kwang Yung, Peter

Cheng Kwok Hung 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

The independent non-executive directors were appointed on 4 December 2000 for a term of two years. 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 on 1 February 2001 for an initial fixed term of three years 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 2002 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' share interests:

	Ordinary shares of HK\$0.01 each			
	Personal interests	Family interests	Corporate interests	Other interests
Beneficial interests				
Lau Hon Kwong, Vincent (Note)	–	–	496,990,348	–
George Roger Manho	148,142,254	–	–	–
Cheng Kwok Hung (Note)	16,961,000	–	496,990,348	–

Note: At 31 March 2002, Mr Lau Hon Kwong, Vincent and Mr Cheng Kwok Hung were substantial shareholders of Rax-Comm (BVI) Limited which beneficially held 496,990,348 shares, representing 54.73% interest, in the Company.

Details of directors' interests under the Company's share option scheme are set out in the section "Share Option Scheme" below.

Report of the Directors

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.

The subscription price for shares under the scheme will be a price determined by the board and notified to each grantee and will be the higher of (i) the closing price of the shares on the date of grant; (ii) average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

At 31 March 2002, 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\$0.22 at the balance sheet date) granted at HK\$1 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 beginning of the year	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 on exercise of options	Market value per share at date of grant of options	Market value per share on exercise of options	No. of options granted during the year	No. of options lapsed during the year
Lau Hon Kwong, Vincent	6,109,440	6,109,440	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-	Nil	Nil
George Roger Manho	4,000,000	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-	Nil	Nil
Cheng Kwok Hung	4,000,000	4,000,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-	Nil	Nil
Liu Hoi Wah	19,112,640	19,112,640	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-	Nil	Nil

Report of the Directors

	No. of options outstanding at the beginning of the year	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 on exercise of options	Market value per share at date of grant of options	Market value per share on exercise of options	No. of options granted during the year	No. of options lapsed during the year
Lee Peng Fei, Allen	1,760,000	1,760,000	12 February 2001	21 August 2001 to 11 February 2011	Nil	HK\$0.095	HK\$0.375	-	Nil	Nil
Tsao Kwang Yung, Peter	1,760,000	Nil	12 February 2001	21 August 2001 to 11 February 2011	1,760,000	HK\$0.095	HK\$0.375	HK\$0.5	Nil	Nil
Employees	43,257,920	35,157,920	12 February 2001	21 August 2001 to 11 February 2011	8,100,000	HK\$0.095	HK\$0.375	-	Nil	Nil
Employees	Nil	7,856,000	10 April 2001	10 April 2002 to 9 April 2004	Nil	HK\$0.455	HK\$0.455	-	8,376,000	520,000
Employees	Nil	9,652,000	11 October 2001	11 October 2002 to 10 October 2004	Nil	HK\$0.35	HK\$0.3	-	9,652,000	Nil
Employee	Nil	2,000,000	28 December 2001	1 July 2004 to 31 December 2011	Nil	HK\$0.195	HK\$0.195	-	2,000,000	Nil

Report of the Directors

The share options granted are not recognised in the financial statements until they are exercised. The weighted average value per option granted in 2002 estimated at the date of grant using the Black-Scholes pricing model was HK\$0.13. The weighted average assumptions used are as follows:

Risk-free interest rate	5.1%
Expected life (in years)	3
Volatility	93.33%
Expected dividend per share	HK\$0.003

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

The directors consider that it is inappropriate to disclose the value of options granted on 12 February 2001, which took place prior to the listing of the Company's shares on GEM of the Stock Exchange on 21 February 2001 as information regarding certain variables used in estimating the fair value of the share options, for example, volatility of share price, are not available.

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 2002, 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)	496,990,348	54.73%
George Roger Manho (Note 2)	148,142,254	16.32%

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

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

Report of the Directors

Directors' Interests in Contracts

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.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 March 2002 are set out in notes 20 and 21 on the financial statements.

Three Year Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 60 of the annual report.

Competing Interests

As at 31 March 2002, 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 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 in compliance with the requirements as set out in Rules 5.23 to 5.27 of the GEM Listing Rules. The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems and the annual reports of the Group. The audit committee held one meeting during the year.

Retirement Scheme

As from 9 December 2000, the Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000.

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.

Report of the Directors

Sponsor's Interests

DBS Asia Capital Limited ("DBS Asia") has been appointed as the continuing sponsor of the Company for the purpose of the GEM Listing Rules. Pursuant to the sponsorship agreement entered into between the Company and DBS Asia, for a fee, DBS Asia acts as the Company's continuing sponsor for the period from 21 February 2001 to 31 March 2003.

As updated and notified by DBS Asia, DBS Asia, its directors, employees and 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 31 March 2002. As at 31 March 2001, DBS Vickers (Hong Kong) Limited (formerly known as Vickers Ballas Hong Kong Limited), a fellow subsidiary of DBS Asia, held 180,000 shares in the Company representing approximately 0.04% of the Company's then issued share capital.

Auditors

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 2002

Report of the Auditors



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

We have audited the financial statements on pages 27 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 financial statements which give a true and fair view. In preparing financial statements 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 financial statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 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 2002

Consolidated Profit and Loss Account

For the year ended 31 March 2002 (Expressed in Hong Kong dollars)

	Note	2002 \$	2001 \$
Turnover	2 & 11	62,848,428	45,669,195
Cost of services rendered		(37,427,974)	(17,328,618)
Cost of goods sold		(446,857)	–
Other revenue	3	24,973,597	28,340,577
Other net gain	3	767,846	198,981
Staff costs		7,786	–
Depreciation and amortisation		(11,257,824)	(6,188,106)
Other operating expenses		(1,553,686)	(551,615)
Profit from operations		(7,657,313)	(2,729,550)
Finance costs	4	5,280,406	19,070,287
Profit from ordinary activities before taxation	4	(142,724)	(7,862)
Taxation	5(a)	5,137,682	19,062,425
Profit attributable to shareholders	23	(303,802)	(2,800,000)
Dividends attributable to the year:			
Interim dividend declared and paid during the year	9 & 23	2,723,988	3,418,336
Earnings per share	10		
Basic		0.53 cents	2.01 cents
Diluted		0.50 cents	1.99 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 for both years.

The notes on pages 32 to 59 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2002 (Expressed in Hong Kong dollars)

	Note	2002 \$	2001 \$
Non-current assets			
Fixed assets	12	3,292,969	1,616,853
Goodwill	13	9,190,992	–
		12,483,961	1,616,853
Current assets			
Current investments	15	132,300	–
Inventories	16	3,518,684	1,948,675
Trade and other receivables	17	45,049,153	18,437,610
Cash and cash equivalents	18	14,798,326	37,991,660
		63,498,463	58,377,945
Current liabilities			
Creditors and accrued charges	19	15,138,567	3,812,857
Secured bank loans	20	3,885,749	–
Current portion of obligations under finance leases	21	50,314	39,516
Taxation	5(b)	522,070	2,800,000
		19,596,700	6,652,373
Net current assets		43,901,763	51,725,572
Non-current liabilities			
Obligations under finance leases	21	–	3,293
Net assets		56,385,724	53,339,132
Capital and reserves			
Share capital	22	9,079,960	4,490,680
Reserves	23	47,305,764	48,848,452
		56,385,724	53,339,132

Approved and authorised for issue by the board of directors on 12 June 2002

The notes on pages 32 to 59 form part of these financial statements.

Balance Sheet

At 31 March 2002 (Expressed in Hong Kong dollars)

	Note	2002 \$	2001 \$
Interest in subsidiaries	14	36,609,992	3,168,436
Current assets			
Deposits and prepayments	17	144,996	290,230
Cash and cash equivalents	18	69,644	31,676,409
		214,640	31,966,639
Current liabilities			
Creditors and accrued charges	19	3,881,028	514,918
Taxation	5(b)	600,000	–
		4,481,028	514,918
Net current (liabilities)/assets		(4,266,388)	31,451,721
Net assets		32,343,604	34,620,157
Capital and reserves			
Share capital	22	9,079,960	4,490,680
Reserves	23	23,263,644	30,129,477
		32,343,604	34,620,157

Approved and authorised for issue by the board of directors on 12 June 2002

The notes on pages 32 to 59 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2002 (Expressed in Hong Kong dollars)

	Note	2002 \$	2001 \$
Net cash (outflow)/inflow from operating activities	24(a)	(8,235,038)	2,459,562
Returns on investments and servicing of finance			
Interest received		693,846	163,251
Interest element of finance lease rentals paid		(10,415)	(7,656)
Interest paid		(132,309)	(206)
Dividends paid		(2,723,988)	(3,418,336)
Net cash outflow from returns on investments and servicing of finance		(2,172,866)	(3,262,947)
Taxation			
Hong Kong Profits Tax paid		(2,581,732)	–
Tax paid		(2,581,732)	–
Investing activities			
Payment for purchase of fixed assets		(2,420,848)	(1,128,436)
Payment for purchase of listed securities		(138,360)	–
Payment for acquisition of subsidiaries	24(c)	(12,342,623)	–
Net cash outflow from investing activities		(14,901,831)	(1,128,436)
Net cash outflow before financing		(27,891,467)	(1,931,821)
Financing			
Capital element of finance lease rentals paid	24(d)	(124,316)	(39,516)
New bank loans	24(d)	3,885,749	–
Proceeds from issuance of new shares of the Company	24(d)	–	36,801,000
Additional paid up capital of the subsidiaries prior to the Group's reorganisation	24(d)	–	11,748,910
Expenses in connection with share issues	24(d)	–	(9,800,929)
Shares issued under share option scheme	24(d)	936,700	–

Consolidated Cash Flow Statement

For the year ended 31 March 2002 (Expressed in Hong Kong dollars)

	Note	2002 \$	2001 \$
Net cash inflow from financing		4,698,133	38,709,465
(Decrease)/increase in cash and cash equivalents		(23,193,334)	36,777,644
Cash and cash equivalents at 1 April		37,991,660	1,214,016
Cash and cash equivalents at 31 March	24(e)	14,798,326	37,991,660

The notes on pages 32 to 59 form part of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant Accounting Policies

(a) Statement of compliance

These financial statements 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. These financial statements 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. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

(c) 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. Subsidiaries are considered to be controlled if the company has the power directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from its activities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

(d) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

Positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

(e) Trading securities

All securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities where they were acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant Accounting Policies (continued)

(f) Fixed assets and depreciation

(i) Valuation

Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note1(f)(ii)) and impairment losses (see note1(i)).

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
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.

(g) Research and development costs

Expenditure relating to research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant Accounting Policies (continued)

(h) 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 the Group acquires the use of assets 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(f) above. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). 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.

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- investments in subsidiaries (except for those accounted for at fair value under note 1(c); and
- positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant Accounting Policies (continued)

(i) Impairment of assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(j) 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) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is after deduction of any trade discounts.

(ii) 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.

(iii) Interest income

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

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant Accounting Policies (continued)

(k) Inventories

Inventories are carried 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 inventories 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 to render services or make the sales.

When inventories are consumed in rendering services or sold, 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.

(l) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(m) 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.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant Accounting Policies (continued)

(o) 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.

(p) Retirement costs

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

(r) Related parties

For the purposes of these financial statements, 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 Financial Statements

(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 14 on the financial statements.

Turnover represents service revenue arising from smartcard systems and related service contracts, information technology consultancy services, commissioning of turnkey computer systems development projects, electrical and mechanical installation work and related service contracts, and sales of smartcard and electrical and mechanical installation related products. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2002 \$	2001 \$
Provision of smartcard systems services	31,595,464	45,669,195
Consultancy fee income	15,341,510	–
Provision of electrical and mechanical installation work	14,126,837	–
Computer systems development project income	562,670	–
Provision of maintenance services	689,707	–
Sales of service related products	532,240	–
	62,848,428	45,669,195

3 Income

	2002 \$	2001 \$
Other revenue		
Interest on bank deposits	681,023	198,981
Other income	86,823	–
	767,846	198,981
Other net gain		
Exchange gain	18,677	–
Net unrealised loss on trading securities carried at fair value	(6,060)	–
Loss on disposal of fixed assets	(4,831)	–
	7,786	–

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

4 Profit from Ordinary Activities before Taxation

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

	2002 \$	2001 \$
(a) Finance costs:		
Finance charges on obligations under finance leases	10,415	7,656
Interest on bank loans and overdrafts	132,309	206
	142,724	7,862
(b) Other items:		
Cost of inventories	14,450,472	–
Auditors' remuneration	627,500	600,000
Operating lease charges: minimum lease payments for hire of properties	2,347,957	754,515
Retirement costs included in staff costs	349,162	109,258
Amortisation of positive goodwill	316,931	–

5 Taxation

(a) Taxation in the consolidated profit and loss account represents:

	2002 \$	2001 \$
Provision for Hong Kong Profits Tax for the year	390,400	2,800,000
Overprovision in respect of prior years	(86,598)	–
	303,802	2,800,000

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

5 Taxation (continued)

(b) Taxation in the balance sheets represents:

	The Group		The Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Provision for Hong Kong Profits Tax for the year	390,400	2,800,000	–	–
Provisional Profits Tax paid	(468,330)	–	–	–
	(77,930)	2,800,000	–	–
Provision for Hong Kong Profits Tax relating to prior year	600,000	–	600,000	–
	522,070	2,800,000	600,000	–

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

6 Directors' Remuneration

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

	2002 \$	2001 \$
Fees	480,000	120,000
Basic salary, allowances and other benefits	2,205,888	1,865,000
Discretionary bonuses	–	500,000
Retirement benefits	41,800	13,000
	2,727,688	2,498,000

Included in the directors' remuneration were fees of \$240,000 (2001: \$80,000) and \$240,000 (2001: \$40,000) paid to the two independent non-executive directors respectively during the year.

In addition to the above remuneration, 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 "Share Option Scheme" in the directors' report.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

6 Directors' Remuneration (continued)

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

	Number	
	2002	2001
\$Nil – \$1,000,000	6	6

Four executive directors received emoluments of \$708,672 (2001: \$769,000), \$708,641 (2001: \$769,000), \$708,575 (2001: \$769,000) and \$121,800 (2001: \$71,000) respectively for the year ended 31 March 2002.

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 (2001: three) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2001: two) individuals are as follows:

	2002	2001
	\$	\$
Basic salary, allowances and other benefits	675,645	533,000
Retirement benefits	15,806	7,850
	691,451	540,850

The emoluments of the two (2001: two) individuals with the highest emoluments are within the following bands:

	2002	2001
	Number of individuals	Number of individuals
\$Nil – \$1,000,000	2	2

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.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

8 Profit Attributable to Shareholders

The consolidated profit attributable to shareholders includes a loss of \$489,265 (2001: profit of \$3,620,086) which has been dealt with in the financial statements of the Company.

9 Dividends

	2002 \$	2001 \$
Interim dividend declared and paid of \$0.003 per share (2001: \$1 per share)	2,723,988	3,418,336

10 Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$4,833,880 (2001: \$16,262,425) and the weighted average of 903,581,535 ordinary shares (2001: 810,485,764 shares after adjusting for the bonus issue in 2002) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of \$4,833,880 (2001: \$16,262,425) and the weighted average number of ordinary shares of 968,708,399 shares (2001: 817,245,240 shares after adjusting for the bonus issue in 2002) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	2002 Number of shares	2001 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	903,581,535	810,485,764
Deemed issue of ordinary shares for no consideration	65,126,864	6,759,476
Weighted average number of ordinary shares used in calculating diluted earnings per share	968,708,399	817,245,240

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

11 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Smartcard systems services	:	The provision of smartcard systems services
Consultancy services	:	The provision of information technology consultancy services
Electrical and mechanical installation work	:	The provision of electrical and mechanical installation work

	Smartcard systems services		Consultancy services		Electrical and mechanical installation		Inter-segment elimination		Unallocated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue from external customers	31,595,464	45,669,195	15,341,510	-	14,126,837	-	-	-	1,784,617	-	62,848,428	45,669,195
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue from external customers	-	-	-	-	-	-	-	-	74,000	-	74,000	-
Total	31,595,464	45,669,195	15,341,510	-	14,126,837	-	-	-	1,858,617	-	62,922,428	45,669,195
Segment result	4,946,543	20,450,297	12,989	-	3,736,328	-	-	-	-	-	8,695,860	20,450,297
Unallocated operating income and expenses											(3,415,454)	(1,380,010)
Profit from operations											5,280,406	19,070,287
Finance costs											(142,724)	(7,862)
Taxation											(303,802)	(2,800,000)
Profit attributable to shareholders											4,833,880	16,262,425

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

11 Segment Reporting (continued)

	Smartcard systems services		Consultancy services		Electrical and mechanical installation		Inter-segment elimination		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Depreciation and amortisation for the year	437,665	215,078	99,241	-	-	-	-	-	-	-
Significant non-cash expenses (other than depreciation and amortisation)	-	-	-	-	-	-	-	-	-	-
Segment assets	43,168,204	26,884,057	12,093,935	-	9,912,735	238,440	-	-	65,174,874	27,122,497
Unallocated assets									10,807,550	32,872,301
Total assets									75,982,424	59,994,798
Segment liabilities	2,654,680	3,340,748	5,261,088	-	3,372,085	-	-	-	11,287,853	3,340,748
Unallocated liabilities									8,308,847	3,314,918
Total liabilities									19,596,700	6,655,666
Capital expenditure incurred during the year	1,144,583	460,594	137,145	-	-	-	-	-	-	-

Geographical segments

The Group's business participates in two principal economic environments. Hong Kong is a major market for all the Group's businesses, whereas the PRC is a major market for the provision of smartcard systems and related services.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

11 Segment Reporting (continued)

	Hong Kong		The PRC	
	2002 \$	2001 \$	2002 \$	2001 \$
Revenue from external customers	54,274,175	34,785,277	8,574,253	10,883,918
Segment assets	58,952,100	59,994,798	7,839,332	–
Capital expenditure incurred during the year	2,319,172	1,243,629	101,676	–

12 Fixed Assets

	Leasehold improvements \$	Furniture and fixtures \$	Computer and other equipment \$	Motor vehicles \$	Total \$
Cost:					
At 1 April 2001	829,958	504,663	1,039,741	118,549	2,492,911
Additions					
– through acquisition of subsidiaries	–	49,714	2,426,652	–	2,476,366
– others	903,200	235,920	1,281,728	–	2,420,848
Disposals	(201,509)	–	(482,001)	–	(683,510)
At 31 March 2002	1,531,649	790,297	4,266,120	118,549	6,706,615
Aggregate depreciation:					
At 1 April 2001	238,391	190,576	397,696	49,395	876,058
Through acquisition of subsidiaries	–	31,164	1,948,348	–	1,979,512
Charge for the year	529,184	186,309	491,624	29,638	1,236,755
Written back on disposal	(201,509)	–	(477,170)	–	(678,679)
At 31 March 2002	566,066	408,049	2,360,498	79,033	3,413,646
Net book value:					
At 31 March 2002	965,583	382,248	1,905,622	39,516	3,292,969
At 31 March 2001	591,567	314,087	642,045	69,154	1,616,853

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

13 Goodwill

	\$
Cost:	
Additions arising on acquisition of subsidiaries and at 31 March 2002	9,507,923
Accumulated amortisation:	
Amortisation for the year and at 31 March 2002	(316,931)
Carrying amount:	
At 31 March 2002	9,190,992

14 Interest in Subsidiaries

	2002 \$	2001 \$
Unlisted shares, at cost	4,000,000	4,000,000
Amounts due from subsidiaries	32,609,992	–
Amounts due to subsidiaries	–	(831,564)
	36,609,992	3,168,436

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

14 Interest in Subsidiaries (continued)

(a) Details of the subsidiaries at 31 March 2002 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of the company	Place of incorporation and operation	Proportion of ownership interest held by the		Particulars of issued and paid up ordinary share capital	Principal activities
		Company	subsidiary		
ITE (BVI) Limited	The British Virgin Islands	100	–	US\$20,000	Investment holding
ITE Smartcard Solutions Limited	Hong Kong	–	100	\$3,418,336	Provision of smartcard systems and related services and sales of smartcard related products
ITE Engineering Limited	Hong Kong	–	100	\$2	Provision of electrical and mechanical installation services and sales of electrical and mechanical installation related products
ITE Investment Limited	Hong Kong	–	100	\$2	Investment holding
RF Tech Limited	Hong Kong	–	100	\$2	Dormant
Rainbow Spirit Limited	Hong Kong	–	100	\$2	Dormant
Nat-Id Limited	Hong Kong	–	100	\$2	Dormant
ITE (China) Limited *	PRC	–	100	Registered capital of US\$700,000	Provision of smartcard systems and related services
Global Confidence Limited	The British Virgin Islands	–	100	US\$10	Investment holding

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

14 Interest in subsidiaries (continued)

Name of the company	Place of incorporation and operation	Proportion of ownership interest held by the		Particulars of issued and paid up ordinary share capital	Principal activities
		Company	subsidiary		
Capital Ledger Limited	The British Virgin Islands	–	100	US\$54	Investment holding
Quesco Holdings Limited	Hong Kong	–	100	\$5,000,000	Investment holding
Quesco Systems Limited	Hong Kong	–	100	\$6,500,000	Provision of information technology consultancy services and commissioning of turnkey computer systems development projects

* Company not audited by KPMG. The financial statements of the subsidiary not audited by KPMG reflect total assets and total turnover constituting approximately 13% and 9% respectively of the related consolidated totals.

On 7 December 2001, the Group acquired 100% interest in Quesco Holdings Limited and Quesco Systems Limited for a total consideration of \$11,500,000, satisfied and payable in cash. As a result, the Group's profit for the year and net assets as at the year end have both been increased by \$805,240.

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

15 Current investments

	2002 \$	2001 \$
Trading securities (at market value)		
Equity securities listed in Hong Kong	132,300	–

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

16 Inventories

	2002 \$	2001 \$
Raw materials	1,855,306	1,948,675
Finished goods	1,663,378	—
	3,518,684	1,948,675

17 Trade and Other Receivables

	The Group		The Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Trade debtors	16,960,562	7,400,227	—	—
Deposits and prepayments	4,612,807	686,013	144,996	290,230
Gross amount due from customers for service contract work	21,780,279	9,635,854	—	—
Retention money receivables	1,695,505	715,516	—	—
	45,049,153	18,437,610	144,996	290,230

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

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

17 Trade and Other Receivables (continued)

Included in trade and other receivables are trade debtors, based on invoice date, with the following ageing analysis:

	The Group		The Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Within 1 month	6,494,924	4,102,242	–	–
1 to 3 months	5,686,346	3,297,985	–	–
More than 3 months but less than 12 months	1,727,304	–	–	–
More than 1 year but less than 2 years	3,051,988	–	–	–
	16,960,562	7,400,227	–	–

The Group generally grants credit period of 60-90 days to customers.

Included in deposits and prepayments is a convertible loan of \$2,830,000 made by a subsidiary to an independent third party entity. The loan is unsecured and bears interest at a rate of 0.5% per month. The Group's directors do not envisage any difficulty in converting this loan into equity investment in that third party entity, which was recently established in the PRC and is intended to engage in smartcard related business, and consider that a provision is not necessary at the year end.

18 Cash and Cash Equivalents

	The Group		The Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Deposits with bank	9,394,828	27,372,484	–	27,372,484
Cash at bank and in hand	5,403,498	10,619,176	69,644	4,303,925
	14,798,326	37,991,660	69,644	31,676,409

Included in deposits with bank are deposits held by a subsidiary with banks of \$5,387,186 (2001: \$Nil) which have been pledged to secure certain banking facilities of the Group.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

19 Creditors and Accrued Charges

	The Group		The Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Trade creditors	4,426,395	1,386,042	–	–
Accrued charges and other payables	10,047,605	2,426,815	3,881,028	400,000
Gross amount due to customers for service contract work	533,319	–	–	114,918
Deferred maintenance income	131,248	–	–	–
	15,138,567	3,812,857	3,881,028	514,918

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

Included in creditors and accrued charges are trade creditors with the following ageing analysis:

	The Group		The Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Due within 1 month or on demand	2,703,187	738,933	–	–
Due after 1 month but within 3 months	1,311,663	647,109	–	–
Due after 3 months but within 12 months	411,545	–	–	–
	4,426,395	1,386,042	–	–

20 Bank Loans

At 31 March 2002, the bank loans of the Group were as follows:

	2002 \$	2001 \$
Secured bank loans	3,885,749	–

The loans from bank are secured by the Group's time deposits of \$5,387,186, guarantees of \$11,000,000 given by Lau Hon Kwong, Vincent and Yu Cheuk Sin, a director of a subsidiary of the Company, jointly and severally and corporate guarantee of \$11,000,000 given by the Company. Such loans are expected to be settled within one year.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

21 Obligations under Finance Leases

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

	The Group		
	Present value of the minimum lease payments \$	Interest expense relating to future periods \$	Total minimum lease payments \$
2002			
Within 1 year	50,314	1,589	51,903
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

22 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 2001	449,068,000	4,490,680
Bonus issue	449,068,000	4,490,680
Shares issued under share option scheme	9,860,000	98,600
At 31 March 2002	907,996,000	9,079,960

- (a) On 12 June 2001, the directors recommended a bonus issue of one new ordinary share for every one then existing ordinary share of \$0.01 each, credited as fully paid, to shareholders whose names appeared on the register of members at the close of business on 29 June 2001. Upon 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 were allotted and despatched in July 2001.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

22 Share Capital (continued)

(b) 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.

The subscription price for shares under the scheme will be a price determined by the board and notified to each grantee and will be the higher of (i) the closing price of the shares on the date of grant; (ii) average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

- (i) On 27 August 2001, options were exercised at a price of \$0.095 each to subscribe for 5,860,000 ordinary shares in the Company at a consideration of \$556,700, of which \$58,600 was credited to share capital and the balance of \$498,100 was credited to the share premium account.
- (ii) On 4 October 2001, options were exercised at a price of \$0.095 each to subscribe for 4,000,000 ordinary shares in the Company at a consideration of \$380,000 of which \$40,000 was credited to share capital and the balance of \$340,000 was credited to the share premium account.
- (iii) During the year, options to subscribe for 520,000 shares at a price of \$0.455 each were lapsed and unexercised.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

22 Share Capital (continued)

(b) Share option scheme (continued)

(iv) At 31 March 2002, the outstanding options were:

Date options granted	Period during which options exercisable	Exercise price per share	Number of options outstanding	
			2002	2001
12 February 2001	21 August 2001 to 11 February 2011	\$0.095	70,140,000	80,000,000
10 April 2001	10 April 2002 to 9 April 2004	\$0.455	7,856,000	–
11 October 2001	11 October 2002 to 10 October 2004	\$0.35	9,652,000	–
28 December 2001	1 July 2004 to 31 December 2011	\$0.195	2,000,000	–

54

23 Reserves

(a) Group

	Share premium \$	(Accumulated losses)/ retained profits \$	Merger reserve \$	Total \$
At 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
Interim dividend paid during the year	–	(3,418,336)	–	(3,418,336)
At 31 March 2001 and 1 April 2001	26,509,391	11,590,151	10,748,910	48,848,452
Bonus issue	(4,490,680)	–	–	(4,490,680)
Share options exercised during the year	838,100	–	–	838,100
Profit for the year	–	4,833,880	–	4,833,880
Interim dividend declared and paid during the year	–	(2,723,988)	–	(2,723,988)
At 31 March 2002	22,856,811	13,700,043	10,748,910	47,305,764

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

23 Reserves (continued)

Note: 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 financial statements for the year ended 31 March 2001 were prepared on the basis that the Company was the holding company of the Group for the entire year, rather than from 18 November 2000. The merger reserve represents the excess value of the shares acquired over the nominal value of the shares issued in exchange.

(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 and 1 April 2001	26,509,391	3,620,086	30,129,477
Bonus issue	(4,490,680)	–	(4,490,680)
Share options exercised during the year	838,100	–	838,100
Interim dividend declared and paid during the year	–	(2,723,988)	(2,723,988)
Loss for the year	–	(489,265)	(489,265)
At 31 March 2002	22,856,811	406,833	23,263,644

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 2002, 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 \$23,263,644 (2001: \$30,129,477).

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24 Notes to the Consolidated Cash Flow Statement

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

	2002	2001
	\$	\$
Operating profit	5,137,682	19,062,425
Interest income	(693,846)	(198,981)
Interest paid	142,724	7,862
Depreciation	1,236,755	551,615
Amortisation of positive goodwill	316,931	–
Unrealised loss on listed securities carried at fair value	6,060	–
Loss on disposal of fixed assets	4,831	–
Increase in inventories	(1,445,234)	(290,821)
Increase in trade and other receivables	(17,665,888)	(15,576,069)
Decrease in amount due to a director	–	(1,323,181)
Increase in creditors and accrued charges	4,724,947	226,712
Net cash (outflow)/inflow from operating activities	(8,235,038)	2,459,562

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24 Notes to the Consolidated Cash Flow Statement (continued)

(b) Acquisition of subsidiaries

	\$

Net assets acquired:	
Fixed assets	496,854
Inventories	124,775
Trade and other receivables	8,945,655
Cash and cash equivalents	5,489,557
Bank loans and overdrafts	(9,782,180)
Creditors and accrued charges	(3,150,763)
Obligations under finance leases	(131,821)
	1,992,077
Goodwill arising on consolidation	9,507,923
	11,500,000

Satisfied by:	
Cash paid	8,050,000
Balance of consideration payable in cash	3,450,000
	11,500,000

(c) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	\$

Cash consideration	8,050,000
Cash at bank and in hand acquired	(5,489,557)
Bank loans and overdrafts acquired	9,782,180
	12,342,623

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

24 Notes to the Consolidated Cash Flow Statement (continued)

(d) Analysis of changes in financing

	Share capital (including premium) \$	Bank loans \$	Finance lease obligations \$
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
At 1 April 2001	31,000,071	–	42,809
Cash flows from financing	936,700	3,885,749	(124,316)
Obligations under finance leases acquired through acquisition of subsidiaries	–	–	131,821
At 31 March 2002	31,936,771	3,885,749	50,314

(e) Analysis of the balances of cash and cash equivalents

	2002 \$	2001 \$
Cash at bank and in hand	5,403,498	10,619,176
Deposits with banks maturing within three months of the balance sheet date	9,394,828	27,372,484
	14,798,326	37,991,660

Cash and cash equivalents at the balance sheet date included deposits held by a subsidiary with banks of \$5,387,186 (2001: \$Nil) which have been pledged to secure certain banking facilities of the Group.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

25 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 \$349,162 (2001: \$109,258).

26 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:

	2002 \$	2001 \$
Within 1 year	3,539,287	1,223,320
After 1 year but within 5 years	1,724,124	672,000
	5,263,411	1,895,320

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

27 Contingent Liabilities

At 31 March 2002, the Company has undertaken to guarantee certain banking facilities granted to a wholly-owned subsidiary to the extent of \$11,000,000 (2001: \$Nil).

28 Ultimate Holding Company

The directors consider the ultimate holding company at 31 March 2002 to be Rax-Comm (BVI) Limited, which is incorporated in The British Virgin Islands.

Three Year Summary

(Expressed in Hong Kong dollars)

	2000 \$	2001 \$	2002 \$
Results			
Turnover	16,535,431	45,669,195	62,848,428
Profit from operations	1,430,378	19,070,287	5,280,406
Finance costs	(4,466)	(7,862)	(142,724)
Profit from ordinary activities before taxation	1,425,912	19,062,425	5,137,682
Taxation	–	(2,800,000)	(303,802)
Profit attributable to shareholders	1,425,912	16,262,425	4,833,880
Assets and liabilities			
Fixed assets	924,839	1,616,853	3,292,969
Goodwill	–	–	9,190,992
Net current assets	864,032	51,725,572	43,901,763
Total assets less current liabilities	1,788,871	53,342,425	56,385,724
Non-current liabilities	(42,809)	(3,293)	–
	1,746,062	53,339,132	56,385,724
Share capital	3,000,000	4,490,680	9,079,960
Reserves	(1,253,938)	48,848,452	47,305,764
	1,746,062	53,339,132	56,385,724
Earnings per share			
Basic	0.36 cents	2.01 cents	0.53 cents
Diluted	–	1.99 cents	0.50 cents

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 Tang Room I, 3/F., Sheraton Hong Kong Hotel, 20 Nathan Road, Kowloon on Wednesday, 17 July 2002 at 10:30 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 2002;
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. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

(A) "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 be in addition to any other authorisation given to the directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares of the Company, 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 (as hereinafter defined); 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 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this resolution; and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(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 any applicable law or the articles of association of the Company 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 exclusions 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 applicable to the Company).”

(B) “THAT

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the shares of Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing this Resolution and the said approval 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 the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

Notice of Annual General Meeting

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company 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.”
- (C) “THAT, conditional upon the resolutions set out in paragraphs 4A and 4B of the notice convening this meeting being duly passed, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to the resolution set out in paragraph 4A of the notice convening this meeting be and is hereby extended by the addition thereon of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph 4B of the notice convening this meeting provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the said resolution.”
- (D) “THAT, with effect from the close of business of the day on which this resolution is passed, the existing share option scheme (the “**Existing Scheme**”) adopted by the Company pursuant to a resolution in writing of all shareholders of the Company dated 12 February 2001 (a copy of the Existing Scheme having been produced to the meeting marked “A” and signed by the chairman of the meeting for the purposes of identification), be and it is hereby terminated and cease to have with any further effect save and except that the Existing Scheme will remain in force to the extent necessary to give effect to the exercise of the options granted thereunder prior to the termination thereof.”
- (E) “THAT, subject to the passing of the resolution set out in paragraph 4D of the notice convening this meeting and with effect from the close of business of the day on which this resolution is passed, the rules of the share option scheme (the “**New Scheme**”), the principal terms of which are particularly described in the circular (the “**Circular**”) to the shareholders in relation to this meeting (a copy of the New Scheme and the Circular having been produced to the meeting marked “B” and “C” respectively and signed by the chairman of the meeting for the purposes of identification), be approved and adopted and the directors of the Company be and they are hereby authorised to approve any amendments to the rules of the New Scheme in accordance with the New Scheme and Chapter 23 of the GEM Listing Rules and to take all such steps as may be necessary, desirable or expedient to carry into effect the New Scheme with immediate effect.”
- (F) “THAT
- (a) subject to the passing of the resolution set out in paragraph 4E of the notice convening this meeting and paragraph (b) below, pursuant to the GEM Listing Rules and the terms of the New Scheme, the directors of the Company are hereby authorised to grant options under the New Scheme and to allot, issue and otherwise deal with shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company pursuant to the exercise of options granted under the New Scheme;

Notice of Annual General Meeting

- (b) the aggregate nominal amount of share capital to be allotted and issued pursuant to paragraph (a) above, together with any issue of Shares upon the exercise of any options (excluding the exercise of those options granted under the Existing Scheme) granted under any other share option scheme of the Company as may from time to time adopted by the Company, shall not exceed 10 per cent. of the Shares in issue as at the date of the passing of this resolution.”

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

Hong Kong, 12 June 2002

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business:

21st Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:

- (a) Any member entitled to attend and vote at the above meeting 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 member 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 Limited, Shop 1712 – 1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.
- (c) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (d) A circular containing further details regarding ordinary resolutions no. 4B, 4D, 4E and 4F as required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange will be despatched to the members of the Company together with the annual report for the financial year ended 31 March 2002.