

**ITE (HOLDINGS) LTD :
TIME WILL TELL THE (SMART) TALE**

By any standard that one may choose to apply, the latest listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, ITE (Holdings) Ltd (Code: 8092), is a very small company.

And, it is unlikely to grow very much, or to grow at any reasonable pace: There are just too many things, working against it.

ITE describes itself as being '*a smartcard solution provider and system integrator*' ... utilising '*a combination of smartcard system expertise, component level technical knowledge and its extensive software library to design and implement smartcard solutions ...*'. (Page One of the Placing Prospectus, dated February 15, 2001)

This Company was founded in 1997 and, for the 1999 and 2000 Financial Years, ended March 31, and for the 5 months to August 31, 2000, ITE can boast of having 5 large customers which '*accounted for approximately 91.2%, 83.2% and 91.4% of the Group's turnover*' ... while the largest, single customer of ITE, during that period, '*accounted for approximately 30.6%, 52.9% and 40.7% of the Group's turnover ...*'. (Page 50)

It seems only too apparent that the largest customers of the Company, during the 1999-2000 Years, included The University of Hongkong, The Hongkong Institute of Education, The Chinese University of Hongkong, and 2 Hongkong property companies.

The Company Placed a total of 45 million, one-cent shares at a Premium of 83 cents per share, raking in an estimated \$HK28 million, net of expenses.

ITE pitched its Placement on the day that the US and England attacked Iraq with warplanes, knocking out key radar installations, so that, in one sense, this Company was unlucky in respect of its timing in going to the marketplace for some '*bread*'.

Be that as it may, it does not alter the facts of the Company.

The money, raised in this exercise, the Prospectus states, is to be used as follows:

1. \$HK8 million to be used for research and development;
2. \$HK5 million to be used to expand the Group's Asian operations;
3. \$HK4 million to be used for strategic acquisitions and/or investments in other companies;
4. \$HK4 million to be used for vertical integration;
5. \$HK3 million to be used for promotion and business development;
6. \$HK1 million to be used to expand the Group's Hongkong operations;
7. \$HK1 million to be used for the enhancement of the Group's quality assurance system; and,
8. \$HK2 million to be used as Working Capital.

As may be seen from the above '*wish list*', not a penny of the money, raised in this exercise, is to be used to retire debt.

This is because the Company, as at December 31, 2000, had almost no borrowings. (Page 79)

Likewise, ITE, also, had little in the way of Fixed Assets, other than some sticks of furniture, \$HK435,704-worth of office equipment and computers, and \$HK86,442-worth of motor vehicles.

The Net Assets of this Company, as at August 31, 2000, stood at just about \$HK9.68 million.

The Trading Record

While there is an old Russian idiom that states that little fishes are the sweetest, it is unlikely to apply in the case of ITE, even though the Company made a more than decent profit, during the past Financial Year, ended March 31, 2000, and for the 5 months, ended August 31, 2000.

And, for the Current Financial Year, ending March 31, 2001, ITE is forecasting that its Bottom Line will reach an amount of not less than \$HK15 million.

But TARGET wonders, and this is the important thing: What will the Directors of ITE do for an encore?

The following is the trading record of this Company, lifted directly from the Prospectus, at Page 101:

	All Figures are Denominated in Hongkong Dollars		
	1999 – Financial Year, ended March 31	2000 -- Financial Year, ended March 31	Five Months to August 31, 2000
Turnover	4,712,933	16,535,431	18,056,479
Other Revenue *	2,445	596	1,340
Other Net Loss *	Nil	(2,804)	Nil
Cost of Services Rendered	(3,655,968)	(11,205,385)	(6,698,348)
Staff Costs	(702,436)	(2,746,425)	(1,501,313)
Depreciation	(47,730)	(234,285)	(159,310)
Other Operating Expenses	(1,022,711)	(916,750)	(565,386)
Profit/(Loss) from Operations	(713,467)	1,430,378	9,133,462
Financing Costs	Nil	(4,466)	(3,190)
Profit/(Loss) from Ordinary Operations before Taxation	(713,467)	1,425,912	9,130,272
Taxation	Nil	Nil	(1,200,000)
Profit/(Loss) Attributable to Shareholders	(713,467)	1,425,912	7,930,272

* **Other Revenue:** Interest on bank balances

* **Other Net Loss:** Loss on Disposal of Fixed Assets

While, at first glance, the above Profit and Loss Account looks impressive, one has to realise that the work, being carried out for and on behalf of higher-educational institutions of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), was coming to an end, at least a certain phase of it, and payments were being received from these institutions, and paid into ITE's coffers.

But, as TARGET mentioned earlier: Where else will the Company go for honey when the academic bees determine to swarm in other climes?

Further, by the Company's own admission, it only earned profits in the 2000 Financial Year; and, it expects to earn profits in the Current Financial Year.

The Directors

ITE was founded by Mr Vincent Lau Hon Kwong and Mr George Roger Manho, the Chief Executive Officer and Chief Operating Officer, respectively.

The other 2, Executive Directors of the Company are Mr Cheng Kwok Hung, the Chief Technical Officer, and Mr Liu Hoi Wah, the younger brother of Mr Vincent Lau.

There are 2, Independent Non-Executive Directors: Messrs Allen Lee Peng Fei, formerly a Legislative Councillor in the HKSAR; and, Mr Peter Tsao Kwang Yung, formerly the Secretary for Home Affairs of the HKSAR Government.

ITE is able to boast of having a total workforce of 35 employees, as at the date of the Prospectus:

Accounts and Personnel	3 employees
Sales and Marketing	2 employees
Administration and Logistics	3 employees
Research and development	14 employees
Project management	13 employees

It would appear that few people are watching the cash register, ... [CLICK TO ORDER FULL ARTICLE](#)

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