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Computech Holdings Limited

駿科網絡訊息有限公司*

(incorporated in the Cayman Islands with limited liability)

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

* For identification purposes only

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Butterfield’s, Dorset House, Taikoo Place, 979 King’s Road, Hong Kong on Monday, 22nd April, 2002 at 10:00 a.m., notice of which is set out on pages 86 to 91 of the Annual Report
“Annual Report”	the annual report of the Company for the year ended 31st December, 2001
“Board”	the board of the Directors
“Company”	Computech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and listed on the GEM
“Directors”	directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25th March, 2002, being the latest practicable date prior to the printing of this document
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no.4 of the notice of the Annual General Meeting
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share Repurchase Rules”	the relevant rules set out in the GEM Listing Rules to regulate the repurchase by companies with primary listing on the GEM of their own securities on the GEM
“Share(s)”	fully paid-up share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region



Computech Holdings Limited

駿科網絡訊息有限公司*

(incorporated in the Cayman Islands with limited liability)

Directors:—

Executive Directors:

Lee Man Lung, Vincent (*Chairman*)

Yip Tai Chee, Alick

Tang Chi Lap

Non-executive Directors:

Fung Pak Chuen, Alphonso

Lo, Richard

Hiroyuki Taniguchi

Independent Non-executive Directors:

Lee Sai Yeung

Tsang Link Carl, Brian

Registered Office:—

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

**Head Office and principal place
of business:—**

6/F., G.D. Real Estate Tower,

143 Connaught Road Central,

Sheung Wan,

Hong Kong

27th March, 2002

To shareholders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

GENERAL MANDATE TO REPURCHASE SHARES

Pursuant to a resolution of all shareholder(s) of the Company passed on 23rd April, 2001, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares of the Company. Such mandate will lapse at the conclusion of the forthcoming annual general meeting of the Company. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in the appendix hereto.

* For identification purposes only

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO ISSUE SHARES

It will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Repurchase Resolution.

ANNUAL GENERAL MEETING

On pages 86 to 91 of the Annual Report, you will find a notice convening the Annual General Meeting at which:—

- an ordinary resolution will be proposed to grant to the Directors a general mandate to exercise all powers of the Company to repurchase on the Stock Exchange Shares representing up to 10% of the issued share capital of the Company as at the date of the Repurchase Resolution during the period from the date of the passing of the Repurchase Resolution up to (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the Repurchase Resolution, whichever occurs first;
- an ordinary resolution will be proposed to grant to the Directors a general mandate to authorise the Directors to issue, allot and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of such resolution; and
- an ordinary resolution will be proposed to extend the general mandate which will be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares repurchased under the Repurchase Proposal after the granting of the general mandate.

RECOMMENDATION

The Directors believe that the Repurchase Proposal and the general mandate for Directors to issue new Shares are all in the best interests of the Company and its shareholders. Accordingly, the Directors recommend that all shareholders should vote in favour of the resolutions set out in the notice of Annual General Meeting as they intend to do themselves in respect of their own holdings, if any.

By Order of the Board
Lee Man Lung, Vincent
Chairman

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

1. Share Repurchase Rules

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

(i) *Shareholders' approval*

All repurchases of securities on GEM by a company with its listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Cayman Islands law, any repurchases by a company may only be paid out of the profits or the proceeds of a fresh issue made for the purpose or if authorised by the articles of association and subject to the provisions of the Companies Law, out of capital. The amount of premium (if any) payable on a repurchase may only be paid out of profits or out of the share premium account of the company or if so authorised by the articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) *Suspension of repurchases*

Any securities buyback programme is required to be suspended after the directors have made any decision in respect of a price sensitive development or a price sensitive development has occurred until the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of annual results or the publication of interim report, a company (other than an investment company listed pursuant to the provisions of Chapter 21 of the Listing Rules) may not purchase its shares on GEM, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to suspend a securities repurchase programme on GEM if the company has breached the GEM Listing Rules.

(iv) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase its shares from a connected person (as defined in the GEM Listing Rules), and such a connected person shall not knowingly sell his shares to the company on GEM.

2. Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 240,000,000 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 24,000,000 Shares representing not exceeding, 10% of the issued share capital of the Company at the Latest Practicable Date.

3. Reasons for Repurchase

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

4. Funding of Repurchase

In repurchasing securities, the Company may only apply funds legally available for such purchase in accordance with its memorandum and articles of association, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st December, 2000 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. Share Prices

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
March	0.70	0.60
April	0.62	0.41
May	0.61	0.55
June	0.62	0.45
July	0.60	0.49
August	0.72	0.495
September	0.70	0.45
October	0.72	0.63
November	0.68	0.60
December	0.64	0.49
2002		
January	0.56	0.40
February	0.465	0.34

6. Undertaking

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the shareholders.

No other connected persons of the Company (as defined in the GEM Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders.

7. Takeover Code

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a shareholder, or a group of shareholders acting in concert (as defined under the Takeover Code), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, by virtue of the SDI Ordinance, Anstalt Pacific Techvest Inc. (“APTI”) and Hitachi, Ltd. (“Hitachi”), which are substantial shareholders of the Company, beneficially held 55,860,000 Shares (approximately 23.28% of the issued share capital of the Company) and 60,000,000 Shares (approximately 25% of the issued share capital of the Company), respectively.

In the event that the Directors exercise in full the power to repurchase Shares in accordance with terms of the Repurchase Resolution, then (if the present shareholdings otherwise remained the same) the interest of APTI and Hitachi in the Company would be increased to approximately 25.86% and 27.78% of the issued share capital of the Company, respectively and each of APTI and Hitachi will not be obliged to make a mandatory offer under Rule 26 of the Takeover Code.

8. Share Repurchases made by the Company

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