



Computech Holdings Limited

駿科網絡訊息有限公司*

(incorporated in the Cayman Islands with limited liability)

Quarterly Report

2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, for which the directors of Computech Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Computech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

HIGHLIGHTS

- Turnover was approximately HK\$22,483,000 for the three months ended 31 March 2002.
- Net profit attributable to shareholders for the three months ended 31 March 2002 was approximately HK\$1,037,000 with earnings per share of HK0.45 cents.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2002.

RESULTS

The board (the “Board”) of directors (the “Directors”) of Computech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 March 2002 together with the comparative unaudited consolidated figures for the corresponding period in 2001 as follows:

		Consolidated for the three months ended 31 March 2002 HK\$'000	Consolidated for the three months ended 31 March 2001 HK\$'000
	<i>Notes</i>		
Turnover	2	22,483	12,603
Cost of sales		<u>(15,274)</u>	<u>(8,933)</u>
Gross profit		7,209	3,670
Other income		32	84
Selling and distribution expenses		(332)	(305)
Administrative expenses		<u>(5,422)</u>	<u>(4,424)</u>
Operating profit/(loss)		1,487	(975)
Finance costs		(53)	(85)
Amortization of goodwill		<u>(397)</u>	<u>(397)</u>
Profit/(loss) before taxation		1,037	(1,457)
Taxation	3		
- Hong Kong		—	—
- PRC		<u>—</u>	<u>—</u>
Profit/(loss) for the period		<u>1,037</u>	<u>(1,457)</u>
Dividends		—	—
Earnings/(loss) per share - Basic	4	<u>HK0.45cents</u>	<u>HK(0.73)cents</u>

Notes:

1. Group reorganisation and basis of presentation of income statement

The Company was incorporated in the Cayman Islands on 29 March 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of its shares in June 2000 (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 3 June 2000. The shares of the Company were listed on GEM on 19 June 2000.

The unaudited consolidated income statement includes the results of the Company and its subsidiaries for the three months ended 31 March 2002.

2. Turnover represents the invoiced value of packaged software products sold and computer related services rendered, net of discounts, value-added tax and business tax.

3. Taxation

i. No provision for Hong Kong profits tax has been made in these income statements as the Group has no assessable profits after offset with available tax losses.

ii. The Company’s PRC subsidiary is under the Income Tax Law of the PRC for Foreign Investment Enterprises and other relevant regulations, entitled to an income tax holiday for two years from the first profit making year of 1996 and a 50% reduction in income tax for the following six years.

iii. Net deferred tax asset has not been recognised owing to uncertainty regarding the Group’s future operating results.

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the periods presented is based on the following data:

	Consolidated for the three months ended 31 March 2002 HK\$'000	Consolidated for the three months ended 31 March 2001 HK\$'000
<i>Earnings/(loss)</i>		
Profit/(loss) for the period used in the calculation of basic earnings/(loss) per share	<u>1,037</u>	<u>(1,457)</u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic earnings/(loss) per share	<u>230,222,222</u>	<u>200,000,000</u>

5. Movement of reserves

Save for the profit/(loss) for the period, there has been no movement of reserves during the three months ended 31 March 2002 and three months ended 31 March 2001.

6. Segment information

The Group conducts its business within one business segment which is the provision of IT solutions to the financial industry in the PRC. The Group also operates within one geographical segment because over 90% of its revenue are generated from customers located in the PRC. Accordingly, no segment information is presented.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECT

General

The Group recorded a turnover of approximately HK\$22,483,000 (2001: HK\$12,603,000) representing approximately a 78% increase. The unaudited consolidated profit attributable to shareholders for the three months ended 31 March 2002 was approximately HK\$1,037,000 representing approximately a 171% increase as compared with 2001. The earnings per share for the three months ended 31 March 2002 was HK0.45 cents.

The increase in sales revenue was mainly due to a large contract was concluded at the end of the year 2001 and the hardware was delivered and installed in the first quarter of 2002.

Recent development

As disclosed in the annual report, most of the shareholders has noticed that a large international IT company, Hitachi, Ltd. (“Hitachi”), became our 25% shareholder in the early of the year 2002. Their investment not only strengthen the Group’s corporate image, but also bring in a lot of technical support to us.

The Directors consider that Hitachi will contribute technology know-how to the Group’s research and development and assist in broadening the Group’s product range. The Directors further expect that based on Hitachi’s proven success in its IT solutions products in the Japanese market, the Group can modify and localize Hitachi’s software products and integrate into the Group’s existing products. The Group is now discussing with Hitachi and evaluating the feasibility of introducing latest financial products into China market.

For the year 2002, the Group is expected to increase the research and development in the area of self-service banking business. It is anticipated that more business opportunities will come out after the establishment of China Unionpay Co., Ltd. (It is a new conglomerate among commercial banks to form a nationwide credit card network). The demand of personalized banking services increases due to the improvement of standard of living in China. VIP priority banking system, a value added banking service system will develop to provide value service to prestige individual customers.

The management of the Group also expected that the demand for decision support and management system will increase because of the competition from foreign banks after the China’s World Trade Organisation accession. The Group is now doing research and development works on the area of risk and credit management, performance analysis and business management system. It is expected to be completed and launched into the market in the third quarter of the year 2002.

Prospects

The Group is optimistic about its future prospects. The globalization of the world economy and China’s accession to the WTO will increase the volatility of the PRC software market. Year 2002 will continue to be a very challenging

year for the Group. The Group will continue to expand the business through penetration into other financial related sectors such as securities and insurance and collaboration with international software companies to customize their products and launched in the PRC market.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2002, according to the register to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of directors, and their associates in shares of the Company were as follows:

Name	Type of interest	Number of shares
Mr. Lee Man Lung, Vincent (<i>Note 1</i>)	Corporate	55,860,000 shares
Mr. Fung Pak Chuen, Alphonso	Family	55,860,000 shares
Mr. Richard Lo	Family	55,860,000 shares
Mr. Yip Tai Chee, Alick	Personal	1,000,000 shares
Mr. Tang Chi Lap	Personal	280,000 shares

Note:

1. Mr. Lee Man Lung, Vincent is interested in 100% of the issued share capital of Brilliant Time Limited. Mr. Lee Man Lung, Vincent is taken to have an interest in the 55,860,000 shares held by Brilliant Time Limited.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the Group, as at 31 March 2001, none of the directors or their associates had any interests in any securities of the Company or any associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March 2002, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of directors and their associates, as at 31 March 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons were interested in 10 percent or more of the issued share capital of the Company:

Name	Number of shares	Percentage of issued share capital
Hitachi, Ltd	60,000,000	25.0%
Anstalt Pacific Techvest Inc. (<i>Note 1</i>)	55,860,000	23.28%
CL Investments Limited (<i>Note 2</i>)	55,860,000	23.28%
CL Strategic Holdings Limited (<i>Note 3</i>)	55,860,000	23.28%
Brilliant Time Limited (<i>Note 4</i>)	55,860,000	23.28%

Notes:

1. Anstalt Pacific Techvest Inc. is beneficially and wholly-owned by Lam Soon (Hong Kong) Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited. Anstalt Pacific Techvest Inc. has a 50% interest in the issued share capital of CL Strategic Holdings Limited and is accordingly taken to have an interest in the shares in which CL Strategic Holdings Limited is interested in.
2. CL Investments Limited is deemed to be owned as to 37.5% by Mr. Fung Pak Chuen, Alphonso and as to 37.5% by Mr. Richard Lo, and is beneficially owned as to 20% by Mr. Chan Kin Wah, Charles and as to 5% by Mr. Wong Siu Sik, Alex. Both Mr. Chan Kin Wah, Charles and Mr. Wong Siu Sik, Alex are independent third parties not connected with the Company, any of its subsidiaries, the directors, chief executives, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates.
3. CL Strategic Holdings Limited is owned as to 50% by Anstalt Pacific Techvest Inc. and 50% by CL Investments Limited.
4. Brilliant Time Limited is beneficially and wholly-owned by Mr. Lee Man Lung, Vincent.

SHARE OPTION SCHEME

On 11 October, 2000, options comprising a total of 7,824,000 underlying shares were granted to employees of the Group at an exercise price of HK\$1.16 per share and expiring on 10 October, 2003. These shares represent 3.26% of the issued share capital of the Company at the date of this report. Save as disclosed herein, no option has been granted, exercised or cancelled during the period from 2 June 2000 (adoption date of the share option scheme) to 31 March 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 31 March 2002, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

INTEREST OF SPONSOR

The Sponsor of the Company, DBS Asia Capital Limited, its directors, employees and associates (as defined in the GEM Listing Rules), as at 13 May 2002 (being the latest practicable date for ascertaining such information), 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.

DBS Asia Capital Limited has entered into a sponsorship agreement with the Company whereby, for a fee, DBS Asia Capital Limited will act as the Company's continuing sponsor for the period from 16 June 2000 to 31 December 2002.

COMPETING INTERESTS

As at 31 March 2002, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

By order of the Board
Lee Man Lung, Vincent
Chairman

Hong Kong, 14 May 2002

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