



## Computech Holdings Limited

駿科網絡訊息有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

## Interim Report

### 2002

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**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.**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this interim result announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this interim result announcement.*

*This interim result 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 interim result 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 interim result announcement misleading; and (3) all opinions expressed in this interim result announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## HIGHLIGHTS

- Turnover was approximately HK\$57,414,000 for the half-year ended 30 June 2002.
- Net profit attributable to shareholders for the half-year ended 30 June 2002 was approximately HK\$2,961,000 with earnings per share of HK1.26 cents.
- The Directors do not recommend the payment of interim dividend.

## 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 half-year ended 30 June 2002 and the three months ended 30 June 2002 together with the comparative unaudited consolidated figures for the corresponding period in 2001 as follows:

|                                   |             | For the<br>half-year<br>ended<br>30 June<br>2002<br>HK\$'000 | For the<br>half-year<br>ended<br>30 June<br>2001<br>HK\$'000 | For the<br>three<br>months<br>ended<br>30 June<br>2002<br>HK\$'000 | For the<br>three<br>months<br>ended<br>30 June<br>2001<br>HK\$'000 |
|-----------------------------------|-------------|--|--|--|--|
|                                   | <i>Note</i> |  |  |  |  |
| Turnover                          | 2           | 57,414   | 46,569   | 34,931   | 33,966   |
| Cost of sales                     |             | (41,506)   | (32,465)   | (26,232)   | (23,532)   |
| Gross profit                      |             | 15,908   | 14,104   | 8,699  | 10,434   |
| Other income                      |             | 107  | 157  | 75   | 73   |
| Selling and distribution expenses |             | (541)  | (832)  | (209)  | (527)  |
| Administrative expenses           |             | (11,511)   | (9,258)  | (6,089)  | (4,834)  |
| Operating profit                  |             | 3,963  | 4,171  | 2,476  | 5,146  |
| Finance costs                     |             | (209)  | (294)  | (156)  | (209)  |
| Amortization of goodwill          |             | (793)  | (793)  | (396)  | (396)  |
| Profit before taxation            |             | 2,961  | 3,084  | 1,924  | 4,541  |
| Taxation                          | 3           |  |  |  |  |
| - Hong Kong                       |             | —  | —  | —  | —  |
| - PRC                             |             | —  | —  | —  | —  |
| Profit for the period             |             | 2,961  | 3,084  | 1,924  | 4,541  |
| Dividends                         |             | —  | —  | —  | —  |
| Earnings per share                |             |  |  |  |  |
| - Basic                           | 4           | HK1.26 cents   | HK1.54 cents   | HK0.80 cents   | HK2.27 cents   |

## Consolidated Balance Sheet

|                                   |             | At<br>30 June 2002<br><i>HK\$'000</i><br><i>(unaudited)</i> | At<br>31 December 2001<br><i>HK\$'000</i><br><i>(audited)</i> |
|-----------------------------------|-------------|---|---|
|                                   | <i>Note</i> |   |   |
| <b>NON-CURRENT ASSETS</b>         |             |   |   |
| Fixed assets                      |             | 2,138   | 2,218   |
| Investment securities             |             | 2,342   | 2,342   |
| Development costs                 |             | 7,813   | 7,886   |
| Goodwill on consolidation         |             | 1,455   | 2,248   |
|                                   |             | <u>13,748</u>   | <u>14,694</u>   |
| <b>CURRENT ASSETS</b>             |             |   |   |
| Inventories                       |             | 1,014   | 127   |
| Debtors, deposits and prepayments | 5           | 57,444  | 43,264  |
| Bills receivable                  |             | 7,155   | —   |
| Pledged time deposit              |             | 3,187   | 3,171   |
| Cash and bank balances            |             | 6,575   | 12,569  |
|                                   |             | <u>75,375</u>   | <u>59,131</u>   |
| <b>DEDUCT:</b>                    |             |   |   |
| <b>CURRENT LIABILITIES</b>        |             |   |   |
| Bank overdraft-unsecured          |             | —   | 638   |
| Bills payable                     |             | 12,307  | 3,201   |
| Creditors, accruals and deposits  | 6           | 24,875  | 40,056  |
| Value-added tax payable           |             | 109   | 1,356   |
| Obligations under finance lease   |             | 13  | 13  |
| Amounts due to related companies  |             | 474   | 431   |
| Amount due to a director          |             | —   | 800   |
|                                   |             | <u>37,778</u>   | <u>46,495</u>   |
| <b>NET CURRENT ASSETS</b>         |             | <u>37,597</u>   | <u>12,636</u>   |
| <b>NET ASSETS</b>                 |             | <u>51,345</u>   | <u>27,330</u>   |
| <b>REPRESENTING:</b>              |             |   |   |
| <b>SHARE CAPITAL</b>              |             | 24,000  | 20,000  |
| <b>RESERVES</b>                   | 7           | 27,331  | 7,314   |
| <b>SHAREHOLDERS' FUNDS</b>        |             | 51,331  | 27,314  |
| <b>NON-CURRENT LIABILITY</b>      |             |   |   |
| Obligations under finance lease   |             | 14  | 16  |
|                                   |             | <u>51,345</u>   | <u>27,330</u>   |

## Consolidated Cash Flow Statement

|  | For the<br>half-year ended<br>30 June 2002<br><i>HK\$'000</i> | For the<br>half-year ended<br>30 June 2001<br><i>HK\$'000</i> |
|--|---|---|
| NET CASH (OUTFLOW) / INFLOW FROM<br>OPERATING ACTIVITIES                 | (32,841 )   | 632   |
| RETURNS ON INVESTMENTS AND<br>SERVICING OF FINANCE                       |   |   |
| Interest received  | 49  | 105   |
| Interest paid  | (85 )   | (120)   |
| NET CASH OUTFLOW FROM RETURNS<br>ON INVESTMENTS AND SERVICING OF FINANCE | (36 )   | (15)  |
| INVESTING ACTIVITIES   |   |   |
| Purchase of fixed assets   | (772 )  | (771)   |
| Increase in development costs  | (1,051 )  | (2,211)   |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES                               | (1,823 )  | (2,982)   |
| NET CASH OUTFLOW BEFORE FINANCING  | (34,700 )   | (2,365)   |
| FINANCING  |   |   |
| Issue of shares for cash   | 22,000  | —   |
| Issuing expenses for share placing                                       | (944 )  | —   |
| Repayment of amount due to a director                                    | (800 )  | —   |
| Principal repayment of obligations under finance lease                   | (2 )  | (5)   |
| NET CASH INFLOW / (OUTFLOW) FROM FINANCING                               | 20,254  | (5)   |
| DECREASE IN CASH AND CASH EQUIVALENTS                                    | (14,446 )   | (2,370)   |
| CASH AND CASH EQUIVALENT<br>AT THE BEGINNING OF THE PERIOD               | 11,901  | 6,858   |
| CASH AND CASH EQUIVALENT<br>AT THE END OF THE PERIOD                     | (2,545 )  | 4,488   |

## Analysis of the balances of cash and cash equivalents

|                        | <b>At</b><br><b>30 June 2002</b><br><i>HK\$'000</i> | <b>At</b><br><b>30 June 2001</b><br><i>HK\$'000</i> |
|------------------------|---|---|
| Time deposit           | 3,187   | 3,133   |
| Cash and bank balances | 6,575   | 2,518   |
| Bills payable          | (12,307)  | (1,163)   |
|                        | <u>(2,545)</u>                                      | <u>4,488</u>  |

### Notes:

#### 1. Group reorganisation and bases of presentation of income statements

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 statements include the results of the Company and its subsidiaries for the half-year ended 30 June 2002 and the three months ended 30 June 2002.

#### 2. Turnover and revenue

Turnover represents the invoiced value of packaged software products sold and computer related services rendered, net of discounts, value-added tax and business tax. An analysis of the Group's turnover and other revenue is as follows:

|   | <b>For the</b><br><b>half-year ended</b><br><b>30 June 2002</b><br><i>HK\$'000</i> | <b>For the</b><br><b>half-year ended</b><br><b>30 June 2001</b><br><i>HK\$'000</i> |
|---|--|--|
| Sales of packaged software products<br>and related services | 25,543   | 22,517   |
| System integration  | 31,374   | 23,750   |
| Others  | 497  | 302  |
|   | <u>57,414</u>  | <u>46,569</u>  |
| Interest income   | 49   | 105  |
|   | <u>57,463</u>  | <u>46,674</u>  |

### 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 per share

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

|   | <b>For the<br/>half-year<br/>ended<br/>30 June 2002<br/>HK\$'000</b> | <b>For the<br/>half-year<br/>ended<br/>30 June 2001<br/>HK\$'000</b> | <b>For the three<br/>months<br/>ended<br/>30 June 2002<br/>HK\$'000</b> | <b>For the three<br/>months<br/>ended<br/>30 June 2001<br/>HK\$'000</b> |
|---|--|--|---|---|
| <i>Earnings</i>   |  |  |   |   |
| Profit for the period used<br>in the calculation of basic<br>earnings per share                                   | <u>2,961</u>   | <u>3,084</u>   | <u>1,924</u>  | <u>4,541</u>  |
| <i>Shares</i>   |  |  |   |   |
| Weighted average number of<br>shares in issue for the<br>purpose of calculation of<br>basic earnings<br>per share | <u>235,138,122</u>   | <u>200,000,000</u>   | <u>240,000,000</u>  | <u>200,000,000</u>  |

5. Debtors, deposits and prepayments

|   | <b>At</b><br><b>30 June 2002</b><br><i>HK\$'000</i> | <b>At</b><br><b>31 December 2001</b><br><i>HK\$'000</i> |
|---|---|---|
| Debtors, deposits and prepayments comprise: |   |   |
| Trade debtors                               | 43,306  | 39,752  |
| Other debtors, deposits and prepayments     | 14,138  | 3,512   |
|   | <u>57,444</u>                                       | <u>43,264</u>   |

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors net of provision for bad and doubtful debts.

|               | <b>At</b><br><b>30 June 2002</b><br><i>HK\$'000</i> | <b>At</b><br><b>31 December 2001</b><br><i>HK\$'000</i> |
|---------------|---|---|
| 0-3 months    | 20,007  | 30,793  |
| 4-6 months    | 5,131   | 3,424   |
| Over 6 months | 18,168  | 5,535   |
|               | <u>43,306</u>                                       | <u>39,752</u>   |

6. Creditors, accruals and deposits

|  | <b>At</b><br><b>30 June 2002</b><br><i>HK\$'000</i> | <b>At</b><br><b>31 December 2001</b><br><i>HK\$'000</i> |
|--|---|---|
| Creditors, accruals and deposits comprise: |   |   |
| Trade creditors                            | 19,733  | 24,484  |
| Other creditors, accruals and deposits     | 5,142   | 15,572  |
|  | <u>24,875</u>                                       | <u>40,056</u>   |

The following is an aging analysis of trade creditors:

|               | <b>At<br/>30 June 2002</b> | <b>At<br/>31 December 2001</b> |
|---------------|----------------------------|--------------------------------|
|               | <i>HK\$'000</i>            | <i>HK\$'000</i>                |
| 0-3 months    | 10,914                     | 21,594                         |
| 4-6 months    | 3,533                      | —                              |
| Over 6 months | 5,286                      | 2,890                          |
|               | <u>19,733</u>              | <u>24,484</u>                  |

## 7. Reserves

|  | <b>Share<br/>premium</b> | <b>Exchange<br/>reserve</b> | <b>Retained<br/>profits</b> | <b>Total</b>    |
|--|--------------------------|-----------------------------|-----------------------------|-----------------|
|  | <i>HK\$'000</i>          | <i>HK\$'000</i>             | <i>HK\$'000</i>             | <i>HK\$'000</i> |
| At 1 January 2001 (Audited)  | 1,981                    | (14)                        | 681                         | 2,648           |
| Net loss for the three months<br>ended 31 March 2001   | —                        | —                           | (1,457)                     | (1,457)         |
| At 31 March 2001 (Unaudited)   | 1,981                    | (14)                        | (776)                       | 1,191           |
| Exchange difference arising from<br>translation of financial statements<br>of a PRC subsidiary | —                        | (217)                       | —                           | (217)           |
| Net profit for the three months ended<br>30 June 2001  | —                        | —                           | 4,541                       | 4,541           |
| At 30 June 2001 (Unaudited)  | <u>1,981</u>             | <u>(231)</u>                | <u>3,765</u>                | <u>5,515</u>    |
| At 1 January 2002 (Audited)  | 1,981                    | 100                         | 5,233                       | 7,314           |
| Net profit for the three months<br>ended 31 March 2002   | —                        | —                           | 1,037                       | 1,037           |
| Premium on issuing new shares  | 18,000                   | —                           | —                           | 18,000          |
| Issuing expenses for share placing   | (944)                    | —                           | —                           | (944)           |
| At 31 March 2002 (Unaudited)   | 19,037                   | 100                         | 6,270                       | 25,407          |
| Net profit for the three months<br>ended 30 June 2002  | —                        | —                           | 1,924                       | 1,924           |
| At 30 June 2002 (Unaudited)  | <u>19,037</u>            | <u>100</u>                  | <u>8,194</u>                | <u>27,331</u>   |



## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2002 (2001: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

The Group's business maintains a steady growth in the first half of the year 2002. Since China has acceded to World Trade Organization ("WTO") and the economy in China still achieves a high growth rate, the management of the Group anticipates competition from the entry of foreign financial institutions will become fierce and the demand on IT technology is expected to have an increase. Thus the Group is facing development opportunities and challenges. The management and the work force shall continue to explore new business opportunities in the market and launch new customized software products into market. Collaboration projects are now being negotiated with our customers for the newly developed as well as existing software solutions. Moreover, new sales from self-service automated banking project are anticipated and more business will be generated from such product offering.

#### *A. New products launching*

There are 2 new products to be launched early next year that include:

##### **F-BAS**

The system provides analytical tools for the bank management to access their financial status down to the branch level. It is a web enabled application software that can support Internet and Intranet connection. Using the data-warehousing technology, it provides direct, interactive access to the database. It can assist banker to review their financial status from multi-dimensional view. User can use the built-in user-friendly extraction tools to customize the application if necessary.

##### **VIP banking system**

The system is co-developed with Shanghai Jiao Tong University in Shanghai. The system provides investment portfolio study to the bank's VIP customers for their reference. By means of consumers' behavior, investment habit as well as age group, the system suggests the most optimal option to the VIP customers to decide their short-term or long-term investment planning.

## B. *New collaboration*

Owing to the demand for cross branch cheque clearing service, we cooperate with Hitachi, Limited to market the seal display and verification system. By means of the state-of-the-art multi-dimension matching methodology, the system provides accurate comparison of the company seal. It not only facilitates cross branch cheque clearing service, but also helps to identify the fake seal which is one of the most important problems needs to be solved.

Discussion (agreement not yet signed) with a Canadian software company to introduce auditing software as well as consultancy service to the market. After China enters into WTO, the demand on in-house audit requirement rises. The collaboration is expected not only to assist the Group to provide more services to the existing customers, but also helps to extend the customer base to other industries.

Another discussion (agreement not yet signed) is undergoing with a New Zealand based solution provider in life insurance market. In view of the local as well as foreign insurance company will expand their business in China shortly, the collaboration is expected to contribute both revenue and profit to the Group. We will be responsible for the localization support, system integration as well as on-going implementation services.

## C. *New research and development*

Evaluation has started to study the feasibility of developing the international business application software products. In addition to the traditional national commercial banks, we anticipate the People's Bank of China may de-regulate the control on local commercial banks to be involved in foreign currency services. Research is expected to be completed in Q3 and we plan to launch the system in mid next year, if any.

The Group will continuously study in developing more solutions on management decision support area. In addition to our newly developed F-BAS system, we anticipate more products will be launched using data warehousing technology.

## Financial review

### *Results*

The Group has achieved an encouraging operational results for the half-year ended 30 June 2002. For the half-year ended 30 June 2002, the Group has accomplished a turnover of approximately HK\$57,414,000 and a profit attributable to shareholders of approximately HK\$2,961,000. This represents an increase of 23% in turnover and a slight drop of approximately 4% in profit attributable to shareholders as compared with those in the corresponding period last year. The earnings per share for the half-year ended 30 June 2002 was HK1.26 cents. The gross profit margin for the period dropped from 30% to 28%.

The improvement in the financial conditions of the Group was due to a combination of sales network expansion and successful marketing efforts which provide the Group with good business development and marketing recognition in the PRC.

### *Financial resources and liquidity*

As at 30 June 2002, the shareholders' funds of the Group amounted to approximately HK\$51,331,000 which is doubled of that in the corresponding period of 2001. Current assets amounted to approximately HK\$75,375,000, of which approximately HK\$9,762,000 were cash and bank deposits and approximately HK\$64,599,000 were debtors, deposits and prepayments. The Group's only non-current liability being obligations under finance lease amounted to approximately HK\$14,000. Its current liabilities amounted to approximately HK\$37,778,000, mainly comprised of creditors, accruals and deposits and bills payable amounted to approximately HK\$24,875,000 and HK\$12,307,000 respectively. The net asset value per share was HK\$0.214. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total assets. As at 30 June 2002, the Group had a gearing ratio of 0.14. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 2.0, reflecting the adequacy of financial resources.

### *Foreign exchange*

The Group is exposed to foreign currency risk as most of its payable to hardware suppliers and certain accounts receivable from the PRC sales are denominated in Renminbi. Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

### *Significant investments and acquisitions*

During the half-year ended 30 June 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 30 June 2002, the Group had no material investment other than the 4% shareholding in the joint venture of World Master Resources Limited.

### *Charges on the Group's assets*

As at 30 June 2002, the Group's time deposit of approximately HK\$3,187,000 has been pledged to a bank to secure banking facilities granted to the Group.

### *Capital commitments*

As at 30 June 2002, the Group had no future plans for material investment.

### *Contingent liabilities*

As at 30 June 2002, the Group had no material contingent liabilities.

### *Employees and remuneration policies*

As at 30 June 2002, the Group had 100 employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

## 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 launch in the PRC market.

The Group will continuously conduct research and development in developing new software products for the banking industry. The framework of nation wide data center of most of the commercial banks has been established, it allows the bank to access their database for in-depth control and analysis. Demand for the decision support product increases in order to reduce the risk to the bank therefore we anticipate revenue will be contributed through our consultancy services as well as product offering.

Self-service products will be another stream of revenue contribution for the Group within the year. The standard of living in China improves not only in the major cities, but also wide spreads to other tiers of sub-urban area. The demand on services is one of the critical issues that the banks need to address in order to maintain their competitiveness. The introduction of unmanned banking service can increase both the depth and width of the service offering. The Group's self service automated banking software products can provide a full solution to the customers.

Insurance industry is another area that was identified to be explored, The Group has started the research and development to investigate market demand and the strategy to collaborate with other solution providers can speed up the marketing strength.

## COMPARISON OF BUSINESS PROGRESS

The following is a summary of the actual business progress in comparison with the business objectives set out in the prospectus of the Company dated 9 June 2000 (the "Prospectus").

|       | <b>Business objective for the first half of 2002 as disclosed in the Prospectus</b>  | <b>Actual business progress up to the first half of 2002</b>  |
|-------|--|---|
| Sales | <p>Revenue from the Group's packaged software products is expected to account for approximately 65-75% of the Group's total revenue.</p> <p>Sales from local distributors are expected to increase and to account for approximately 20% of the Group's total revenue.</p> <p>Revenue is expected to be generated from the sales of packaged software product to foreign banks due to the expected admission of the PRC into WTO.</p> | <p>Since the global economic downturn, the Group's packaged software products accounted for about 44% of the Group's total revenue (56% of the revenue comprised system integration and related services and hardware services). But since the revenue growth rate is faster than estimation, the management expects that the percentage will further increase in the second half of 2002.</p> <p>The management decided to sell via direct channel, which accounted for over 90% of the Group's revenue, as the Group faces a lot of support problems such as skill transfer when selling through distributors, which accounted for less than 5% of the Group's revenue.</p> <p>Liaison with foreign banks has been started since early 2002 and is still in the course of discussion.</p> |

|                          | <b>Business objective for the first half of 2002 as disclosed in the Prospectus</b>  | <b>Actual business progress up to the first half of 2002</b>  |
|--------------------------|--|---|
| Research and development | Commence investigations into the next generation system architecture for banking solutions.  | Discussion has started with international data base management vendor on the next generation system.  |
|                          | Invite the IT department of the local national banks to participate in the study of next generation system architecture for banking solutions.                             | Liaison with local national banks has been started since early 2002 and some of the banks are considering to participate in the study.  |
|                          | Enhance the Group's existing software products to cope with the increasing demand from both local national banks.  | The Group's existing software products are enhanced and customised in accordance with customers' demand continuously.   |
| Marketing                | Set up division to specialize in managing local distributor network in the PRC.  | The management has decided to sell via direct channel as the overall costs could be reduced. No division will be set up in the current stage.                                   |
|                          | Increase size of sales force by 20%.   | Increase by approximately 20% which is mainly attributed to the direct sales force in the PRC.  |
| Resources employment     | Recruit 1-2 industry consultant(s) or analyst to improve the strength of pre-sale activities.  | Done. 2 pre-sales engineers were recruited who have expertise in the banking industry.  |
| Collaboration            | Liaise with IT department of the national banks relating to the feasibility of joint marketing of software products through joint-venture or other forms of collaboration. | Collaboration for joint developing software products has been started with a university in Shanghai which research capability can help the development of the Group's products. |

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 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:

| <b>Name</b>                                 | <b>Type of interest</b> | <b>Number of shares</b> |
|---|-------------------------|-------------------------|
| 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 30 June 2002, 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 30 June 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 30 June 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:

| <b>Name</b>                            | <b>Number of shares</b> | <b>Percentage of issued share capital</b> |
|--|-------------------------|---|
| Hitachi, Ltd.                          | 60,000,000              | 25.00%                                    |
| Anstalt Pacific Techvest Inc. (Note 1) | 55,860,000              | 23.28%                                    |
| CL Investments Limited (Note 2)        | 55,860,000              | 23.28%                                    |
| CL Strategic Holdings Limited (Note 3) | 55,860,000              | 23.28%                                    |
| Brilliant Time Limited (Note 4)        | 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 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 approximately 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 30 June 2002.

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

As at 30 June 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, its directors, employees and associates (as defined in the GEM Listing Rules) as at 7 August 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 30 June 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 Group's financial reporting process and internal control systems.

## **BOARD PRACTICES AND PROCEDURES**

The Group has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the half-year ended 30 June 2002.

By order of the Board  
**Lee Man Lung, Vincent**  
*Chairman*

Hong Kong, 9 August 2002

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*