



**Computech Holdings Limited**

**駿科網絡訊息有限公司**

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

**First Quarterly Report**

**2003**

## **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.**

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

## **HIGHLIGHTS**

- Turnover was approximately HK\$13,378,000 for the three months ended 31 March 2003.
- Net loss attributable to shareholders for the three months ended 31 March 2003 was approximately HK\$5,841,000 with loss per share of HK2.43 cents.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2003.

## 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 2003 together with the comparative unaudited consolidated figures for the corresponding period in 2002 as follows:

		<b>Consolidated for the three months ended 31 March 2003</b>	<b>Consolidated for the three months ended 31 March 2002</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	13,378	22,483
Cost of sales		<u>(12,845)</u>	<u>(15,274)</u>
Gross profit		533	7,209
Other income		–	32
Selling and distribution expenses		(1,373)	(332)
Administrative expenses		<u>(4,431)</u>	<u>(5,422)</u>
Operating (loss)/profit		(5,271)	1,487
Finance costs		(173)	(53)
Amortization of goodwill		<u>(397)</u>	<u>(397)</u>
(Loss)/profit before taxation		(5,841)	1,037
Taxation	3		
– Hong Kong		–	–
– PRC		<u>–</u>	<u>–</u>
(Loss)/profit for the period		<u><u>(5,841)</u></u>	<u><u>1,037</u></u>
Dividends		<u>–</u>	<u>–</u>
(Loss)/earnings per share – Basic	4	<u><u>HK(2.43) cents</u></u>	<u><u>HK0.45 cents</u></u>

Notes:

**1. Basis of presentation of income statement**

The unaudited consolidated income statement includes the results of the Company and its subsidiaries for the three months ended 31 March 2003.

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 estimated assessable profits for the period.

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. (Loss)/earnings per share**

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

	<b>Consolidated for the three months ended 31 March 2003 HK\$'000</b>	<b>Consolidated for the three months ended 31 March 2002 HK\$'000</b>
<i>(Loss)/earnings</i>		
(Loss)/profit for the period used in the calculation of basic (loss)/earnings per share	<u><u>(5,841)</u></u>	<u><u>1,037</u></u>
<i>Shares</i>		
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	<u><u>240,000,000</u></u>	<u><u>230,222,222</u></u>

## 5. Movements of reserves

	Share premium HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000
At 1 January 2002 (Audited)	1,981	100	5,233	7,314
Net profit for the three months ended 31 March 2002	–	–	1,037	1,037
Premium on issuing new shares	18,000	–	–	18,000
Issuing expenses for share placing	(944)	–	–	(944)
	<u>19,037</u>	<u>100</u>	<u>6,270</u>	<u>25,407</u>
At 31 March 2002 (Unaudited)	<u>19,037</u>	<u>100</u>	<u>6,270</u>	<u>25,407</u>
At 1 January 2003 (Audited)	19,030	100	(15,619)	3,511
Net loss for the three months ended 31 March 2003	–	–	(5,841)	(5,841)
	<u>19,030</u>	<u>100</u>	<u>(21,460)</u>	<u>(2,330)</u>
At 31 March 2003 (Unaudited)	<u>19,030</u>	<u>100</u>	<u>(21,460)</u>	<u>(2,330)</u>

## 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 2003 (2002: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **General**

The Group recorded a turnover of approximately HK\$13,378,000 (2002: HK\$22,483,000) representing approximately a 40% decrease. The unaudited consolidated loss attributable to shareholders for the three months ended 31 March 2003 was approximately HK\$5,841,000 representing approximately a 663% decrease as compared with 2002. The loss per share for the three months ended 31 March 2003 was HK2.43 cents.

The structural reform of financial industry in the People Republic of China ("PRC") is being constructed and not yet finalized. It attributes to the unsatisfactory result of the Group for the first quarter.

One of the major customers of the Group, the Credit Co-operatives is now being reformed and such re-organisation hindered the progress of most of the IT construction projects. The establishment of China Banking Regulatory Commissioner ("CBRC") will result in the change of the role and function of the People's Bank of China. Top management of most of the national commercial banks will be changed and it also adds to the uncertainty of the business in the year.

In view of the market uncertainty and the severe situation of the potential outbreak of SARS in the PRC, the management of the Group is difficult to anticipate the impact of the result in the coming quarters of the year. The management will continue to implement stringent cost control and aims to further reduce the overall operating expenses in the remaining quarters by means of reduction of remuneration package of senior management, suspension of less prioritized software development as well as reduction of headcount by staff re-engineering.

## **Recent development**

In order to maintain our competitiveness, the Group will target to focus on the high value-added business areas. The management is still focus on the research and development of Business intelligence application, management analysis and control, etc. Through this business analytical platform, the bank's top management will be able to measure and evaluate the performance of the branches.

## **Prospects**

CBRC of the PRC was established on 28 April 2003. Its main duty will be responsible for the regulatory and control of all financial institutions in China. Management Information System will be demanded in the financial organizations in China to provide a more up-to-date position to CBRC. More control and analytical systems are expected to be required by the commercial banks to measure their performance.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, 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 2003, 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 2003, 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 2003, 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. ( <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 2003.

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

As at 31 March 2003, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **COMPETING INTERESTS**

As at 31 March 2003, 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.

## **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 three months ended 31 March 2003.

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

Hong Kong, 12 May 2003