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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)*

(Stock code: 8081)

### **Ongoing Connected Transactions and Amendments to the Articles of Association**

**Financial adviser to Computech Holdings Limited**

**ALTUS CAPITAL LIMITED**

#### **ONGOING CONNECTED TRANSACTIONS**

The Board announces that, on 28 July 2004, the Company entered into the Agreement with CLIH. Pursuant to the Agreement, the Group will purchase Inventories from the CLIH Group and provide technical services to certain existing customers of the CLIH Group on a recurring basis up to and including 31 December 2005.

The CLIH Group is principally engaged in the research, development and sales of banking terminal automation and mailing solution services, packaged software products for the logistics and manufacturing industries, supply chain solutions and provision of technical services as well as system integration services in Hong Kong and in the PRC.

CLIH is indirectly owned as to approximately 62.6% by The General Trust (the trustee of AFS Trust and Ardian Trust) and Mr. Henry Yap Fat Suan. Aplus, the controlling Shareholder, is indirectly owned as to 84.0% by The General Trust and directly owned as to 16.0% by Mr. Henry Yap Fat Suan. CLIH therefore is a connected person according to the GEM Listing Rules. Transactions contemplated under the Agreement constitute ongoing connected transactions for the Company and the Company will be subject to reporting, announcement and Independent Shareholders' approval under Chapter 20 of the GEM Listing Rules. Aplus which beneficially owns 54.9% shareholding interest in the Company and its associates will abstain from voting on the resolutions to be proposed in relation to the Agreement at the EGM. The vote will be taken by poll.

\* *For identification purpose only*

## **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Stock Exchange has revised the GEM Listing Rules on 31 March 2004 and to align the Articles of Association with the requirements of the revised GEM Listing Rules, the Board wishes to propose a special resolution at the EGM to alter the Articles of Association.

### **GENERAL**

Completion of the Agreement is conditional upon, inter alia, the Independent Shareholders' approval at the EGM.

An independent board committee will be established to advise the Independent Shareholders in connection with the Agreement. An independent financial adviser will be appointed for the purpose of advising the independent board committee and the Independent Shareholders in connection with the Agreement.

A circular containing, inter alia, details of (i) the Agreement; (ii) the amendments to the Articles of Association; (iii) the recommendation of the independent board committee; (iv) the advice of the independent financial adviser to the independent board committee and to the Independent Shareholders; and (v) a notice of the EGM will be sent to the Shareholders as soon as practicable.

## **I. ONGOING CONNECTED TRANSACTIONS**

### **1. The Agreement dated 28 July 2004**

Parties: (i) The Company  
(ii) CLIH

The CLIH Group is principally engaged in the research, development and sales of banking terminal automation and mailing solution services, packaged software products for the logistics and manufacturing industries, supply chain solutions and provision of technical services as well as system integration services in Hong Kong and in the PRC.

CLIH is indirectly owned as to approximately 62.6% by The General Trust (the trustee of AFS Trust and Ardian Trust) and Mr. Henry Yap Fat Suan and the remaining 37.4% by a number of third parties independent from The General Trust and Mr. Henry Yap Fat Suan. Aplus, the controlling Shareholder, is indirectly owned as to 84.0% by The General Trust and directly owned as to 16.0% by Mr. Henry Yap Fat Suan. CLIH therefore is a connected person according to the GEM Listing Rules.

Subject: (i) Purchase Transactions; and  
(ii) Provision of Services.

**(i) Purchase Transactions**

Transaction nature

Under the Agreement, the Company will from time to time purchase Inventories on an order by order basis from CLIH for a period commencing from the date of the Agreement up to and including 31 December 2005 for use in the Group's ordinary and normal course of business. No minimum purchase amount is required and the purchases may be made by the Company as and when necessary in carrying out engagements for the customers of CLIH under the outsourcing arrangements as further described below. Such arrangement will minimize the need to carry excess Inventories which are not immediately required to meet existing orders.

Pricing basis

The purchase prices of the Inventories to be paid by the Company will be on normal commercial terms and determined after arm's length negotiation, and will be settled by the internal resources of or the banking facilities obtained by the Group. The prices of the Inventories shall not exceed the prevailing market prices at which these products are available to the Group from independent third parties. The payment terms for such purchases, including any credit term available to the Group, will depend on and mirror the payment terms between CLIH and its suppliers, including any credit term available to CLIH. Given such terms of payment, the Directors expect that the Company will be required, in most cases, to make payment for Inventories purchased prior to receipt of payment from the Provision of Services, as further described in the section headed "Provision of Services – Pricing basis" below.

As CLIH is a connected person to the Company, the Purchase Transactions constitute ongoing connected transactions for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Aplus and its associates will abstain from voting in respect of the resolution to be proposed at the EGM. The vote will be taken by poll.

**(ii) Provision of Services**

Transaction nature

The Company will render information technology related services including, but not limited to, system maintenance, technical support, systems integration and operations support, to certain existing customers of the CLIH Group in Hong Kong and the PRC in the non-banking sector, which are not connected persons of the Company, for a period commencing from the date of the Agreement up to and including 31 December 2005. As further set out in the section below headed "Reason for and benefits arising from the Agreement", this will enable the Group to expand its customer base for its existing business to include customers in the non-banking sector, whilst at the same time,

enabling the CLIH Group to outsource this segment of its business so as to focus on its core operations. Given the similarity in nature of the current businesses of the Group and the Provision of Services, the Directors are of the view that the above proposal will provide positive contribution for and is beneficial to the Group.

#### Pricing basis

The Provision of Services will be carried out in the ordinary course of business of the Group and conducted on normal commercial terms. As stipulated in the Agreement, the Group will act as an outsourcing partner of CLIH and will provide services to the customers of CLIH according to the terms of the contracts between CLIH and its customers. The Group will furnish CLIH with monthly services activity reports detailing services rendered to these customers and the amount of time incurred by the Group. Fees for services rendered will be (i) charged to CLIH on a project/contract basis which is calculated based on, for example, units or value of products sold, amount of time required for the services performed or number of calls serviced; and (ii) payable by CLIH to the Group. Such payments from CLIH to the Group may be on a monthly/quarterly/semi-annual or annual basis, and are dependent on and reflect the terms of payment as between CLIH and its customers, but regardless of whether CLIH itself has received payments from its customers. The Directors advised that such payment arrangement conforms to normal commercial practice in instances where the provision of similar services is entirely outsourced by the principal contractor to its outsourcing partner. The Directors are of the view the payment arrangement and the pricing basis are fair and reasonable as far as the Company and the Shareholders are concerned.

The Directors advised that the Company will negotiate new contracts directly with the customers and the fees will be received directly from the customers following expiration of the existing contracts. Durations of the existing contracts range from one to three years. While there is no guarantee that the Company will be able to secure contracts from these customers, given that (i) the contracts to be entered into between these customers and the Company will be negotiated on an arm's length basis and the terms of which will be comparable to those offered by CLIH; and (ii) the Group has the experience and expertise to provide quality services demanded by the customers, the Directors are of the view that these customers will likely continue their business relationships with the Group following the expiration of their existing contracts with CLIH.

The Directors consider the fees to be received from the Provision of Services, which are expected to cover the cost of inventory used, labour costs and other relevant costs to be incurred in carrying out such services and to generate a reasonable margin for the Group, to be fair and reasonable so far as the Shareholders are concerned taking into consideration that (i) the Provision of

Services are in line with the Company's principal business activities; and (ii) the Company will be able to diversify its sources of income.

As CLIH is a connected person to the Company, the Provision of Services constitute ongoing connected transactions for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Aplus and its associates will abstain from voting in respect of the resolution to be proposed at the EGM. The vote will be taken by poll.

## 2. Basis of cap amounts

Based on the projections provided by CLIH for the two years ending 31 December 2005, the respective proposed caps for the Purchase Transactions and the Provision of Services ("Proposed Caps") are as follows:

	<b>For the year ending 31 December 2004</b>	<b>For the year ending 31 December 2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of Services	41,000	65,000
Purchase Transactions	30,000	30,000

The Company has purchased goods from CLIH amounting to HK\$414,000, nil and nil for the three years ended 31 December 2003 in accordance with the Previous Purchase Agreement. Since the Group had not carried on such services in the previous years, purchases from CLIH had been minimal and in fact had been nil for the two years ended 31 December 2003. The values of these purchases are less than the proposed caps of the Purchase Transactions; however, the Directors consider the proposed caps of the Purchase Transactions to be appropriate taking into consideration that the Group will provide services to a larger number of customers pursuant to the Provision of Services which in turn will require additional quantity of Inventories be purchased. The Company and CLIH will terminate the Previous Purchase Agreement upon the commencement of the Purchases and Provision of Services Agreement.

Based on the current contracts on hand and projections provided by management of CLIH, the amount relating to Provision of Services may be up to HK\$41 million and HK\$65 million respectively for the two years ending 31 December 2005. In particular, the Directors have taken into account the aggregate sums of existing contracts and the aggregate sums of contracts under negotiation between CLIH and its customers which are mainly for the year 2004 and 2005 in arriving at such amounts. Prior to the Agreement becoming effective, CLIH will remain as the negotiating party. After the Agreement becomes effective, the Directors expect that new contracts will be negotiated and entered into directly between the Company and the ultimate customers.

Transactions contemplated under the Agreement constitute ongoing connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rules 20.35 and 20.52 of the GEM Listing Rules. The Company intends to seek the approval from the Independent Shareholders at the EGM in respect of the Agreement pursuant to Rule 20.35 and of the Proposed Caps for a period of two financial years ending 31 December 2005 pursuant to Rule 20.52. In addition, Aplus and its associate(s) are required to abstain from voting at the EGM on the relevant resolutions pursuant to Rule 20.54 of the GEM Listing Rules.

The Company will comply with the provisions, and in particular, provisions governing the ongoing connected transactions, of Chapter 20 of the GEM Listing Rules in relation to the Purchase Transactions and the Provision of Services.

### **3. Reasons for and benefits arising from the Agreement**

The Group is principally engaged in the research, development and sales of packaged software products, the provision of software related consultancy and technical services as well as system integration services in the PRC mainly for the customers in banking sector. The CLIH Group is principally engaged in the research, development and sales of banking terminal automation and mailing solution services, packaged software products for the logistics and manufacturing industries, supply chain solutions and provision of technical services as well as system integration services in Hong Kong and in the PRC.

The Group recorded turnover and net loss of approximately HK\$35.4 million and approximately HK\$27.3 million respectively for the year ended 31 December 2003 and turnover and net loss of approximately HK\$68.6 million and approximately HK\$20.9 million respectively for the year ended 31 December 2002. The Group's turnover for the year ended 31 December 2003 decreased by approximately 48% or approximately HK\$33.2 million from the previous year and the Directors attributed the unsatisfactory performance to the lower than expected IT expenditure of enterprises in the PRC as well as the change in acquisition process of IT products of the Group's banking sector customers where purchases of IT equipment or solutions are increasingly centralized and made by internal procurement divisions rather than by individual departments.

Having regard to the poor business performance of the Group, the Directors intend to find new sources of revenue and enlarge its customer base by also targeting customers in the non-banking sector. At the same time, given that the CLIH Group intends to outsource its supply chain solution services, including technical services and system integration service so as to focus on the research, development and sales of banking terminal automation and mailing solution services, the Directors consider it to be an appropriate opportunity for the Group to expand its revenue base and enlarge the business scope by acting as a subcontractor for CLIH to provide such services to customers who have existing contracts with the CLIH

Group in respect of this segment of its operations. The Directors are of the view that revenue to be generated from the Provision of Services will improve the Group's financial performance.

As mentioned previously, the Group provides system maintenance and technical support services and systems integration services in the PRC mainly for clients in the banking sector, while the CLIH Group provides similar services mainly for multinational corporations in the non-banking sector. After the Agreement becomes effective, the CLIH Group will cease to provide such services for any customers. Given that it is in the Group's normal course of business to provide such services, the Directors are of the view that the Group is capable of providing services to non-bank customers in addition to existing bank customers. The Group also expects to recruit more employees with relevant experience and expertise in anticipation of the expected increase in the volume of services to be provided.

The Purchase Transactions are necessary for the Group to commence Provision of Services. Given that such Inventories are generally different from those used by the Group in its existing business and that the CLIH Group has existing arrangements with suppliers that provide discounts on purchases made in relation to the existing contracts for the Provision of Services undertaken by the CLIH Group, the Purchase Transactions will allow the Group to acquire Inventories from the CLIH Group at lower prices than if it purchases directly from suppliers. The Group will purchase inventories directly from third parties if the terms of such purchases are more favourable than those offered by the CLIH Group.

The Directors consider the Agreement to be in the ordinary and normal course of the Group's business and that the terms are in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the transactions contemplated under the Agreement will complement the Group's existing operations and enabling it to expand its scope of businesses and diversify its sources of revenue. The Directors expect that as the Group continues to engage in the provision of software and hardware products and related services and expand its customer base, its volume of business will increase and its reliance on CLIH will accordingly be minimized.

## **II. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Stock Exchange has revised the GEM Listing Rules on 31 March 2004 and to align the Articles of Association with the requirements of the revised GEM Listing Rules, the Board wishes to propose a special resolution at the EGM to alter the Articles of Association. In general, amendments will be made to the following in relation to corporate governance:

- (a) the minimum seven-day period for lodgment of nomination of Directors by Shareholders shall commence no earlier than the day after the despatch of the notice of meeting appointed for such election and end no later than seven days before the date of such meeting;

- (b) a Director shall abstain from voting at the meeting of the Board on any matter in which he or any of his associates has a material interest and not to be counted towards the quorum of the relevant meeting of the Board; and
- (c) where any Shareholder is, under the revised GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

In addition, the Board also recommends that amendments be made to the Articles so as to allow the Company to offer the Shareholders (subject to adequate arrangements having been made by the Company to ascertain the wishes of the Shareholders) with the choice to elect:

- (a) to receive summary financial statements of the Company instead of the full version of the annual reports and accounts;
- (b) to be treated as having been sent a copy of either the summary financial statements or the annual reports and accounts by having access to the version of those documents published on the Company's website; and
- (c) to receive various corporate communications, including but not limited to annual and interim reports, circulars and notices of meeting by electronic means and in either English or Chinese only or in both languages.

Apart from the foregoing, there are also minor amendments which sought to improve the drafting of the Articles.

### III. GENERAL

An independent board committee will be established to advise the Independent Shareholders in connection with the Agreement. An independent financial adviser will be appointed for the purpose of advising the independent board committee and the Independent Shareholders in connection with the Agreement.

A circular containing, inter alia, details of (i) the Agreement; (ii) the amendments to the Articles of Association; (iii) the recommendation of the independent board committee; (iv) the advice of the independent financial adviser to the independent board committee and to the Independent Shareholders; and (v) a notice of the EGM will be sent to the Shareholders as soon as practicable.

**Shareholders and potential investors of the Company are reminded that completion of Agreement is conditional on fulfillment of certain conditions and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“AFS Trust”	AFS Trust, a trust set up by Mr. Fung Pak Chuen Alphonso, a Director, for the benefit of his wife and their children. Mr. Fung does not have any direct interests in the Company
“Agreement”	the conditional agreement dated 28 July 2004 entered into between the Company and CLIH in respect of the Purchase Transactions and Provision of Services
“Aplus”	Aplus Worldwide Limited, the controlling Shareholder, beneficially owns 54.9% shareholding interest in the Company
“Ardian Trust”	Ardian Trust, a trust set up by Mr. Lo, Richard, a Director, for the benefit of his wife and their children. Mr. Lo does not have any direct interests in the Company
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“CLIH”	CL International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“CLIH Group”	CLIH and its subsidiaries
“Company”	Computech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened at which resolutions will be proposed, among other things, to consider and, if thought fit, approve the transactions contemplated in relation to the Agreement, the change of Company name and amendments to the Articles
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Aplus Worldwide Limited and its associates
“Inventories”	inventories comprising principally computer parts and components, peripherals and equipment to be acquired by the Company from CLIH pursuant to the Agreement
“PRC”	the People’s Republic of China
“Previous Purchase Agreement”	The Company and CLIH, in compliance with the GEM Listing Rules, entered into an agreement on 21 December 2001, pursuant to which the Group would, on a continual basis, purchase from the CLIH Group computer equipment, peripherals and related after-sale warranty and maintenance services for a term of 3 financial years ending 31 December 2004 and the aggregate purchase amount will not exceed HK\$10 million per annum
“Provision of Services”	provision of information technology related services comprising principally system maintenance, technical support, systems integration and operations support, by the Company to customers of CLIH in Hong Kong and the PRC for a period commencing from the date which the Agreement becomes effective up to and including 31 December 2005
“Purchase Transactions”	purchases of Inventories by the Company from CLIH for a period commencing from the date of which the Agreement becomes effective up to and including 31 December 2005 for use in the Group’s ordinary and normal course of business

“Share(s)”	ordinary shares of HK\$0.10 each in the existing share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

By Order of the Board  
**Computech Holdings Limited**  
**Alphonso Fung**  
*Chairman*

Hong Kong, 28 July 2004

*As at the date of this announcement, the executive Directors are Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard. The non-executive Director is Mr. Sugii Toshio and the independent non-executive Directors are Mr. Lee Sai Yeung and Mr. Tsang Link Carl, Brian.*

*This announcement, for which the Directors collectively and individually accept full 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 the Company. 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.*

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