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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)

Proposed Capital Reorganisation

Financial adviser to Computech Holdings Limited

ALTUS CAPITAL LIMITED

The Board intends to put forward the following proposals to the Shareholders:

- i. to diminish and reduce the authorised and issued share capital of the Company by cancelling issued and paid up capital to the extent of HK\$0.09 on each of the Shares in issue and by reducing the nominal value of all issued Shares from HK\$0.10 each to HK\$0.01 each;
- ii. to cancel 684,000,000 unissued Shares of HK\$0.10 each in the share capital of the Company whereby the authorised capital of the Company is diminished by HK\$68,400,000 and to subdivide each remaining unissued Share of HK\$0.10 each in the share capital of the Company into 10 unissued New Shares of HK\$0.01 each;
- iii. to cancel the entire amount standing to the credit of the Share Premium Account; and
- iv. to apply the credit in the amount of HK\$21,600,000 arising from the Capital Reduction and the amount of HK\$11,921,000 from the cancellation of the Share Premium Account to set off in full the accumulated losses of the Company, which amounted to approximately HK\$33,521,000 as shown in the audited accounts of the Company for the year ended 31 December, 2003.

* For identification purposes only

Completion of the Capital Reorganisation is conditional upon, among other things, (i) passing by the Shareholders of a special resolution in respect of the Capital Reorganisation at the EGM; (ii) compliance with any conditions which the Court may impose; (iii) the confirmation of the Capital Reduction by the Court and the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minute containing the particulars required under the Companies Law; and (iv) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares.

A circular of the Company containing, inter alia, details of the Capital Reorganisation and a notice of the EGM will be sent to the Shareholders as soon as practicable.

I. PROPOSED CAPITAL REORGANISATION

The proposal

The Directors propose to put forward the following proposals to the Shareholders:

- i. to diminish and reduce the authorised and issued share capital of the Company by cancelling issued and paid up capital to the extent of HK\$0.09 on each of the Shares in issue and by reducing the nominal value of all issued Shares from HK\$0.10 each to HK\$0.01 each;
- ii. to cancel 684,000,000 unissued Shares of HK\$0.10 each in the share capital of the Company whereby the authorised capital of the Company is diminished by HK\$68,400,000 and to subdivide each remaining unissued Share of HK\$0.10 each in the share capital of the Company into 10 unissued New Shares of HK\$0.01 each;
- iii. to cancel the entire amount standing to the credit of the Share Premium Account; and
- iv. to apply the credit in the amount of HK\$21,600,000 arising from the Capital Reduction and the amount of HK\$11,921,000 from the cancellation of the Share Premium Account to set off in full the accumulated losses of the Company, which amounted to approximately HK\$33,521,000 as shown in the audited accounts of the Company for the year ended 31 December, 2003.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company is HK\$24,000,000 divided into 240,000,000 Shares. Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will become HK\$10,000,000 divided into 1,000,000,000 New Shares of HK\$0.01 each, of which 240,000,000 New Shares of HK\$0.01 each will be in issue. The accumulated losses of the Company as set out in the Company's audited accounts for the year ended 31 December, 2003 was HK\$33,521,000. As at the date of this announcement, the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for Shares.

Based on the number of issued Shares as at the date of this announcement, the Capital Reduction will cause the issued share capital of the Company to be reduced by approximately HK\$21,600,000 and such amount will be applied to eliminate part of the accumulated losses of the Company which amounted to HK\$33,521,000 as at 31 December, 2003. The sum standing to the credit of the Share Premium Account as at 31 December, 2003 amounted to HK\$19,030,000, HK\$11,921,000 of which will be applied to set off against the remaining balance in full of the accumulated losses of the Company and the balance of HK\$7,109,000 will be transferred to the distributable reserve of the Company.

An application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares.

Effect of and reasons for the Capital Reorganisation

Save for the setting off of the accumulated losses of the Company as at 31 December, 2003 as mentioned above and the expenses to be incurred in relation to the Capital Reorganisation, the Directors consider that the Capital Reorganisation will have no effect on the underlying assets, business operations, management or financial position of the Company.

The closing price per Share on 26 August, 2004 was HK\$0.097. Since 19 July, 2004, the Shares have been traded below the par value of HK\$0.10 per Share. For so long as the share price continues to trade below the par value of the Shares, it will be difficult for the Company to raise capital by issuing new Shares because under Cayman Islands law, the issue of shares at a discount requires the sanction of the court of the Cayman Islands. Following the Capital Reduction, the par value of each New Share will become HK\$0.01 which is lower than its current market price. The total amount of the credit arising from the Capital Reduction and the cancellation of the Share Premium Account is expected to be sufficient to eliminate all of the accumulated losses of the Company as at the effective date of the Capital Reduction. The Directors consider that the Capital Reorganisation not only will improve the Company's financial position by eliminating the accumulated losses but will also provide greater flexibility to the Company in pricing future, if any, capital raising exercises as well as to facilitate the declaration of dividends by the Company when the Company achieves distributable profits in the future. The Directors consider that the Capital Reorganisation is in the interest of the Company and the Shareholders as a whole.

The Directors do not currently have any plans to raise capital for the Company; however, the Company may conduct capital raising exercises including, but not limited to, the issue of New Shares if and when suitable opportunities arise. Further announcement will be made as and when required in compliance with the GEM Listing Rules.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on the following conditions being fulfilled:

- i. the passing of a special resolution by the Shareholders at the EGM;
- ii. compliance with any conditions which the Court may impose;
- iii. the confirmation of the Capital Reduction by the Court and the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minute containing the particulars required under the Companies Law; and
- iv. the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares.

The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Further announcement will be made by the Company to inform the Shareholders of the effective date of the Capital Reorganisation.

Free exchange of certificates for New Shares

As the Court hearing dates have yet to be confirmed, the effective date of the Capital Reorganisation is not ascertainable at present. Should the Capital Reorganisation become effective, Shareholders may submit certificates for the Shares to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange, at the expense of the Company, up to one month from the effective date of the Capital Reorganisation, for certificates for the New Shares. Details of the colour of and free exchange of the share certificates for the New Shares will be provided in the circular to be despatched to the Shareholders.

Trading arrangements

The Shares are currently traded in board lots of 4,000 Shares and the market value per board lot of the Shares is HK\$388 (based on the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on 26 August, 2004, being the last trading day prior to the publication of this announcement). The New Shares will be traded in board lots of 30,000 New Shares and the estimated market value per board lot of the New Shares will be HK\$2,910 (based on the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on 26 August, 2004, and assuming the Capital Reorganisation becomes effective). The New Shares will rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the articles of association of the Company.

Arrangement for matching service for odd lots

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares, the Company has agreed to procure an agent to arrange to match the sales and purchases of odd lots of the New Shares. Details of the odd lots arrangements will be provided in the circular to be despatched to the Shareholders.

II. GENERAL

Further announcement will be made in relation to the trading arrangements, free exchange of certificates for the New Shares, the arrangement for matching service for odd lots, and the timetable for the implementation of the Capital Reorganisation (including the effective date of the Capital Reorganisation). A circular of the Company containing, inter alia, details of the Capital Reorganisation and a notice of the EGM will be sent to the Shareholders as soon as practicable.

An application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in the New Shares to be issued following the completion of the Capital Reorganisation.

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.

III. DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the proposed diminishment and reduction of the authorised and issued share capital of the Company by cancelling issued and paid up capital to the extent of HK\$0.09 on each of the Shares in issue and by reducing the nominal value of all issued Shares from HK\$0.10 each to HK\$0.01 each
“Capital Reorganisation”	the capital reorganisation of the Company including, among other things, the Capital Reduction, Share Cancellation and Subdivision and the cancellation of the entire amount standing to the credit of the Share Premium Account
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

“Company”	Computech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Court”	the Grand Court of the Cayman Islands
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at which resolution will be proposed, among other things, to consider and, if thought fit, approve the Capital Reorganisation
“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 People’s Republic of China
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“Shareholders”	holders of the Shares and/or the New Shares, as the case may be
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Capital Reorganisation
“Share Cancellation and Subdivision”	the proposed cancellation of 684,000,000 unissued Shares of HK\$0.10 each in the share capital of the Company whereby the authorised capital of the Company will be diminished by HK\$68,400,000 and the proposed subdivision of each remaining unissued Share of HK\$0.10 each in the share capital of the Company into 10 unissued New Shares of HK\$0.01 each
“Share Premium Account”	the share premium account of the Company, which amount was HK\$19,030,000 as at 31 December, 2003 (based on the latest published audited accounts of the Group for the year ended 31 December, 2003)

“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, 27 August, 2004

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.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting.