

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Computech Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular does not constitute an offer, nor is it calculated to invite offers for, shares of Computech Holdings Limited.

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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)

RIGHTS ISSUE OF 240,000,000 RIGHTS SHARES TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD AT A SUBSCRIPTION PRICE OF HK\$0.02 PER RIGHTS SHARE

Financial adviser to Computech Holdings Limited
ALTUS CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee and
the Independent Shareholders



KGI Capital Asia Limited

Shareholders (as defined herein) should note that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time if the Underwriter becomes aware of the fact that or have reasonable cause to believe that there shall develop, occur, exist or come into effect:-

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, legal, military, industrial, economic, currency, stock market or (whether or not sui generis with any of the foregoing) other market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by Hong Kong or any jurisdiction relevant to the Group; or
- (f) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (g) any change or development involving a prospective change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the Group; or
- (h) any change occurs in the circumstances, business or financial or trading position of the Group which would materially and adversely affect the prospects of the Group as a whole; or
- (i) any other adverse change whether or not ejusdem generic with any of the foregoing,

and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or the level of Rights Shares taken up or make it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

If, at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

It should be noted that the Shares will be dealt with on an ex-rights basis from Wednesday, 30 March 2005. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Wednesday, 6 April 2005. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 31 March 2005.

The Rights Shares are expected to be dealt with in their nil-paid form from Tuesday, 12 April 2005 to Wednesday, 20 April 2005, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares or Rights Shares in their nil-paid form from now up to the date on which all conditions of the Underwriting Agreement are fulfilled are accordingly at the investors' own risk. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult his/her own professional advisor.

A letter from the Independent Board Committee of Computech Holdings Limited is set out on page 18 of this circular.

A letter of advice from KGI Capital Asia Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of Computech Holdings Limited is set out on pages 19 to 31 of this circular.

A notice convening an extraordinary general meeting of Computech Holdings Limited to be held at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on Wednesday, 6 April 2005 at 10:00 a.m. is set out on pages 83 to 85 of this circular. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of Computech Holdings Limited at 10th Floor Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* for identification purpose only

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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.

CONTENTS

	<i>Page</i>
Definitions	1
Termination of the Underwriting Agreement	4
Expected Timetable	6
Letter from the Board	
Introduction	7
Proposed Rights Issue	8
Underwriting Arrangements	11
Warning of the risks of dealing in Shares and nil-paid Rights Shares	13
The EGM	15
Recommendations	16
Additional information	17
Letter from the Independent Board Committee	18
Letter from KGI	19
Appendix I – Financial Information	32
Appendix II – General Information	73
Notice of EGM	83

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Announcement”	the Company’s announcement dated 27 January 2005 regarding, among other things, the proposed Rights Issue
“Acceptance Time”	4:00 p.m. on Monday, 25 April 2005 (or such other time and date as the Underwriter may agree in writing with the Company as the latest time for acceptance of, and payment for Rights Shares and application for excess Rights Shares)
“AFS”	AFS Holdings Limited is wholly owned by The General Trust Co. Ltd., which is the trustee of AFS Trust, one of the beneficiaries of which is the spouse of Mr. Fung
“Aplus” or “Underwriter”	Aplus Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 84% by Win Plus Group Limited
“Ardian”	Ardian Holdings Limited is wholly owned by The General Trust Co. Ltd., which is the trustee of Ardian Trust, one of the beneficiaries of which is the spouse of Mr. Lo
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday or a day on which the storm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	CompuTech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares to be used in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened to approve, inter alia, the Rights Issue
“GEM”	Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising Lee Sai Yeung, Chung Kong Fei, Stephen and Ng Chik Sum, Jackson established to advise the Independent Shareholders on the Rights Issue
“Independent Shareholders”	Shareholders other than the Underwriter, its associates as defined in the Listing Rules and the Directors
“KGI” or “Independent Financial Adviser”	KGI Capital Asia Limited, a deemed licensed corporation under the SFO and engaged in types 1, 4 and 6 regulated activities
“Last Trading Day”	20 January 2005, being the last trading day before the suspension of the trading of the Shares on the Stock Exchange pending the release of the Announcement
“Latest Practicable Date”	15 March 2005, being the latest practicable date for ascertaining certain information contained in this circular
“Mr. Fung”	Mr. Fung Pak Chuen, Alphonso, an executive Director and the Chairman of the Company
“Mr. Lo”	Mr. Lo, Richard, an executive Director of the Company
“Non-Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address is/are in a place(s) outside Hong Kong in respect of whom the Directors consider the exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place upon making enquiry
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue
“Posting Date”	Friday, 8 April 2005 or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents

DEFINITIONS

“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date other than the Non-Qualifying Shareholders
“Record Date”	Wednesday, 6 April 2005
“Registrar”	Hong Kong Registrars Limited
“Rights Issue”	the issue of the Rights Shares on the basis of one Rights Share for every one existing Share held on the Record Date at a price of HK\$0.02 per Rights Share as described in the Announcement
“Rights Share(s)”	the 240,000,000 new Shares to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.02 per Rights Share
“Trading Day(s)”	day(s) on which the Stock Exchange is open for trading
“Underwriting Agreement”	the agreement dated 20 January 2005 between the Company and the Underwriter relating to the underwriting and other arrangements in respect of the Rights Issue
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time if the Underwriter becomes aware of the fact that or have reasonable cause to believe that there shall develop, occur, exist or come into effect:-

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, legal, military, industrial, economic, currency, stock market or (whether or not sui generis with any of the foregoing) other market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by Hong Kong or any jurisdiction relevant to the Group; or
- (f) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (g) any change or development involving a prospective change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the Group; or
- (h) any change occurs in the circumstances, business or financial or trading position of the Group which would materially and adversely affect the prospects of the Group as a whole; or
- (i) any other adverse change whether or not ejusdem generic with any of the foregoing,

and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or the level of Rights Shares taken up or make it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

EXPECTED TIMETABLE

2005

Last day of dealings in existing Shares on a cum-rights basis	Tuesday, 29 March
Commencement date of trading on an ex-rights basis	Wednesday, 30 March
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:00 p.m. on Thursday, 31 March
Register of members closes	from Friday, 1 April to Wednesday, 6 April (both days inclusive)
Record Date	Wednesday, 6 April
EGM	Wednesday, 6 April
Register of members re-opens	Thursday, 7 April
Prospectus Documents despatched on	Friday, 8 April
First day of dealings in nil-paid Rights Shares	Tuesday, 12 April
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 15 April
Last day of dealings in nil-paid Rights Shares	Wednesday, 20 April
Latest time for acceptance of, and payment for Rights Shares and application for excess Rights Shares	4:00 p.m. on Monday, 25 April
Rights Issue expected to become unconditional	4:00 p.m. on Tuesday, 3 May
Announcement of results of acceptance of Rights Issue on or before	Thursday, 5 May
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before	Monday, 9 May
Certificates for fully-paid Rights Shares expected to be despatched on or before	Monday, 9 May
Dealings in fully-paid Rights Shares on the Stock Exchange to commence on	Wednesday, 11 May

Note: All time in this circular refer to Hong Kong time.

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be notified to Shareholders.



Computech Holdings Limited
駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8081)

Directors:

Executive Directors:

Fung Pak Chuen, Alphonso

Lo, Richard

Non-executive Director:

Toshio Sugii

Independent non-executive Directors:

Lee Sai Yeung

Chung Kong Fei, Stephen

Ng Chik Sum, Jackson

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

*Head office and principal place
of business:*

10th Floor, Westlands Centre

20 Westlands Road

Quarry Bay

Hong Kong

18 March 2005

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE
OF 240,000,000 RIGHTS SHARES TO
QUALIFYING SHAREHOLDERS ON THE BASIS OF
ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD AT
A SUBSCRIPTION PRICE OF HK\$0.02 PER RIGHTS SHARE**

INTRODUCTION

On 27 January 2005, the Board announced that the Company proposed to raise approximately HK\$4.8 million before expenses by way of Rights Issue of 240,000,000 Rights Shares at a price of HK\$0.02 per Rights Share payable in full on acceptance on the basis of one Rights Share for every one existing Share held by the Qualifying Shareholders on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

* For identification purpose only

LETTER FROM THE BOARD

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Rights Issue are fair and reasonable. KGI has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue. The purpose of this circular is to provide you with further information regarding, among other things, the recommendations of the Independent Board Committee in relation to the proposed Rights Issue and set out the letter of advice from KGI containing its recommendation to the Independent Board Committee and Independent Shareholders in relation to the proposed Rights Issue.

As at the Latest Practicable Date, Aplus, being the beneficiary owner of 131,688,000 Shares is entitled to exercise voting rights in respect of such number of Shares. However, as Aplus is the Underwriter, Aplus and its associates will abstain from voting on the resolution to approve the Rights Issue at the EGM.

The ordinary business of Aplus does not include underwriting.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of Rights Issue	:	one Rights Share for every one existing Share held by a Qualifying Shareholder on the Record Date
Subscription Price	:	HK\$0.02 per Rights Share
Number of existing Shares in issue	:	240,000,000 Shares
Number of Rights Shares	:	240,000,000 Rights Shares
Number of Rights Shares undertaken to be taken up by Aplus	:	Aplus, which is also the Underwriter, has undertaken to take up or procure to take up 131,688,000 Rights Shares which will be provisionally allotted to it and its nominee pursuant to the Rights Issue

The Company has no outstanding options or convertible securities as at the Latest Practicable Date.

The Company expects to raise about HK\$4.8 million before expenses through the Rights Issue.

Qualifying Shareholders

Upon closing of the Record Date, the Company will take appropriate actions to check with the Registrar the registered address of the Shareholders and the Company will send the Prospectus Documents to Qualifying Shareholders only.

LETTER FROM THE BOARD

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder. In order to be registered as a member at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong no later than 4:00 p.m. on Thursday, 31 March 2005.

The branch share registrar of the Company in Hong Kong is:

Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queens' Road East
Hong Kong

Closure of register of members

The register of members of the Company will be closed from Friday, 1 April 2005 to Wednesday, 6 April 2005, both days inclusive, for the purpose of determining entitlements to participate in the Rights Issue. No transfers of Shares will be registered during this period.

Subscription Price for the Rights Shares

The Subscription Price will be HK\$0.02 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or on application for excess Rights Shares.

The Subscription Price represents:

1. a discount of approximately 28.6% to the closing price of HK\$0.028 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 16.7% to the theoretical ex-rights price of HK\$0.024 per Share based on the closing price of HK\$0.028 per Share as quoted on the Stock Exchange on the Last Trading Day;
3. a discount of approximately 42.9% to the average closing price of about HK\$0.035 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day; and
4. a discount of approximately 39.4% to the closing price of about HK\$0.033 per Share on the Latest Practicable Date.

The Subscription Price was agreed between the Company and the Underwriter after arm's length negotiations taking into consideration (a) the declining trend of the prices of Shares; (b) the low liquidity of the trading of Shares in the market; (c) pricing of rights issues of other listed issuers; and (d) the weak financial position of the Group. The Directors consider the terms of the Rights Issue and the Subscription Price to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors also consider that the discount of the Subscription Price as compared to recent market prices should encourage Shareholders to participate in the Rights Issue.

LETTER FROM THE BOARD

Basis of provisional allotment

The basis of the provisional allotment shall be one Rights Share for every one Share held on the Record Date, being a total of 240,000,000 Rights Shares at a price of HK\$0.02 per Rights Share. Acceptances for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the then existing Shares in issue as to dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares.

Shares certificates for Rights Shares and refund cheques

Subject to the fulfilment of the conditions to which the Rights Issue is subject, share certificates for all fully-paid Rights Shares are expected to be posted on or before Monday, 9 May 2005 to those who have accepted or where applicable, applied for, and paid for the Rights Shares, by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Monday, 9 May 2005, by ordinary post to the applicants at their own risk.

Rights of Non-Qualifying Shareholders

The Company has made enquiries regarding the feasibility of extending the Rights Issue to the Non-Qualifying Shareholders. If based on legal opinion provided by the legal adviser, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Non-Qualifying Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to the Non-Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid to the relevant Non-Qualifying Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

As at the Latest Practicable Date, the Company does not have any Shareholder whose registered address is outside Hong Kong.

Applications for excess Rights Shares

Qualifying Shareholders may apply for any unsold nil-paid entitlements of Non-Qualifying Shareholders and any Rights Shares provisionally allotted to but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing

LETTER FROM THE BOARD

the EAF and lodging the same with remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

Listings and dealings

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on GEM, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on GEM or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any Trading Day is required to take place in CCASS on the second Trading Day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangement will affect their rights and interests.

Dealings in the Rights Shares in their nil-paid and fully-paid forms, both in board lots of 30,000 Shares, will be subject to the payment of stamp duty in Hong Kong.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	20 January 2005
Parties:	the Company and the Underwriter
Number of Rights Shares underwritten:	108,312,000 Rights Shares, being the 240,000,000 Rights Shares to which holders of the existing Shares held on the Record Date are entitled to subscribe pursuant to the Rights Issue less 131,688,000 Rights Shares which Aplus has undertaken to accept or procure acceptance according to its and its nominee's entitlement under the Rights Issue

No commission will be payable to the Underwriter.

Undertaking from Aplus:	Aplus, which is also the Underwriter, has undertaken to the Company that the Shares beneficially owned by it will not be disposed of from the date of the Underwriting Agreement to the close of business on the Record Date and it will subscribe or procure subscribers for its and its nominee's entitlement in full, representing 131,688,000 Rights Shares.
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LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, the following conditions being fulfilled (or waived (where permissible)) on or before 4:00 p.m. on the third Business Day following the Acceptance Time (or such other time as the Underwriter and the Company may agree):

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms;
- (ii) the registration of the Prospectus Documents with the Registrar of Companies in Hong Kong no later than the Posting Date;
- (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated; and
- (iv) the passing by the Independent Shareholders at the EGM of an ordinary resolution by way of poll to approve the Rights Issue.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time if the Underwriter becomes aware of the fact that or have reasonable cause to believe that there shall develop, occur, exist or come into effect:-

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, legal, military, industrial, economic, currency, stock market or (whether or not sui generis with any of the foregoing) other market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by Hong Kong or any jurisdiction relevant to the Group; or

LETTER FROM THE BOARD

- (f) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (g) any change or development involving a prospective change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the Group; or
- (h) any change occurs in the circumstances, business or financial or trading position of the Group which would materially and adversely affect the prospects of the Group as a whole; or
- (i) any other adverse change whether or not ejusdem generic with any of the foregoing,

and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or the level of Rights Shares taken up or make it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

If, at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

As at the Latest Practicable Date, the Underwriter has not exercised its right to terminate the Underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Existing Shares will be dealt with on an ex-rights basis from Wednesday, 30 March 2005. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Wednesday, 6 April 2005. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 31 March 2005.

The Rights Shares are expected to be dealt with in their nil-paid form from Tuesday, 12 April 2005 to Wednesday, 20 April 2005, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares or Rights Shares in their nil-paid form from now up to the date on which all conditions of the Underwriting Agreement are fulfilled are accordingly at the investors' own risk. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult his/her own professional advisor.

LETTER FROM THE BOARD

Effects on shareholding structure

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue:

	Number of Shares and approximate % held immediately after completion of the Rights Issue (assuming no Qualifying Shareholder takes up its Rights Shares, except that, Aplus, which is also the Underwriter, takes up all its entitlement under the Rights Issue)	Number of Shares and approximate % held immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their Rights Shares in full)	Number of Shares and approximate % held before completion of the Rights Issue
Aplus, also the Underwriter (<i>Note 1</i>)	371,688,000 (77.4%)	263,376,000 (54.9%)	131,688,000 (54.9%)
Hitachi, Limited (<i>Note 2</i>)	60,000,000 (12.5%)	120,000,000 (25.0%)	60,000,000 (25.0%)
Public	48,312,000 (10.1%)	96,624,000 (20.1%)	48,312,000 (20.1%)
Total	480,000,000 (100%)	480,000,000 (100%)	240,000,000 (100%)

Note:

- (1) Aplus is owned as to 84% of its issued share capital by Win Plus Group Limited (“Win Plus”). Win Plus is wholly-owned by Gumpton Investments Limited (“Gumpton”) which in turn is owned by AFS and Ardian on an equal basis.
- (2) As at the Latest Practicable Date, Hitachi, Limited has not indicated to the Company whether it will subscribe for its provisional entitlement, amounting to 60,000,000 Rights Shares.

It is the intention of Aplus, which is also the Underwriter, to maintain the listing of the Company following completion of the Rights Issue. Accordingly, the Company, the Underwriter and their respective directors have jointly and severally undertaken to the Stock Exchange that the Company and the Underwriter will take appropriate steps, to ensure not less than 20% of the Shares are held by the public at all times in compliance with the minimum public float requirement of the GEM Listing Rules.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in the research, development and sale of banking packaged software products, the provision of software-related consultancy and technical services and system integration service in the People’s Republic of China and Hong Kong.

LETTER FROM THE BOARD

The financial performance of the Group has been weak where it incurred losses in each of the two consecutive years ended 31 December 2003. The Directors therefore believe it is appropriate that the Group strengthens its capital base for general financial health which would improve the Group's positions during discussions with its suppliers and bankers. The Directors have explored various financing alternatives including loan financing and placing of Shares. Nevertheless, given the Group's weak financial position, the Group has not been able to obtain loan financing from banks independently. The Directors consider that placing of Shares would result in a dilution to the shareholding interest of current Shareholders.

Thus, the Directors believe that the Rights Issue is appropriate as it provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position while allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. The Directors therefore consider that it is in the interests of the Company and the Shareholders as a whole to raise the capital by way of the Rights Issue.

The Company has not conducted any equity fund raising activities, including rights issue and open offer, during the 12 months immediately preceding the Latest Practicable Date.

The estimated expense of the Rights Issue is about HK\$500,000, which will be borne by the Company. The net proceeds of the Rights Issue will amount to approximately HK\$4.3 million. The Company intends to use the net proceeds from the Rights Issue for general working capital purposes.

THE EGM

A notice convening the EGM to be held at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong at 10:00 a.m. on Wednesday, 6 April 2005 is set out on pages 83 to 85 of this circular at which resolutions will be proposed to consider and, if thought fit, to approve the Rights Issue.

Aplus, which is also the Underwriter, holds 131,688,000 Shares, representing approximately 54.9% of the issued share capital of the Company as at the Latest Practicable Date, together with its associates, will abstain from voting on the resolution to be proposed at the EGM to approve the Rights Issue. The vote of the Independent Shareholders at the EGM will be taken by way of poll pursuant to the GEM Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on how they should vote in respect of the Rights Issue. The Independent Board Committee will comprise Lee Sai Yeung, Chung Kong Fei, Stephen and Ng Chik Sum, Jackson.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

Procedure by which a poll may be demanded

Under the Articles of Association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the Shares conferring that right.

In addition, under the GEM Listing Rules, if the chairman of the meeting and/or the Directors individually or collectively hold(s) proxies in respect of Shares holding 5% or more of the total voting rights of the Company at a particular meeting, and if the votes cast on a show of hands are in the opposite manner to that instructed in those proxies, then the chairman shall demand a poll. However, if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands, then the chairman shall not be required to demand a poll.

RECOMMENDATIONS

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 18 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Rights Issue; and (b) the letter from KGI, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from KGI is set out on pages 19 to 31 of this circular.

The Independent Board Committee, having taken into account the advice of KGI, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM in relation to the Rights Issue.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By order of the Board
Computech Holdings Limited
Fung Pak Chuen, Alphonso
Chairman



Computech Holdings Limited
駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8081)

18 March 2005

To the Independent Shareholders

Dear Sir or Madam,

RIGHTS ISSUE
OF 240,000,000 RIGHTS SHARES TO
QUALIFYING SHAREHOLDERS ON THE BASIS OF
ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD AT
A SUBSCRIPTION PRICE OF HK\$0.02 PER RIGHTS SHARE

As the Independent Board Committee, we have been appointed to advise you in connection with the Rights Issue, details of which are set out in the letter from the Board contained in the circular to the Shareholders (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Rights Issue and the advice of KGI in relation thereto as set out on pages 19 to 31 of the Circular, we are of the opinion that the terms of the Rights Issue are in the interests of the Company and are fair and reasonable so far as the Shareholders are concerned. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

Lee Sai Yeung

Chung Kong Fei, Stephen
Independent Board Committee

Ng Chik Sum, Jackson

* for identification purpose only

LETTER FROM KGI

The following is the full text of advice prepared by KGI to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue for incorporation in this circular:



KGI Capital Asia Limited

27/F ICBC Tower,
Citibank Plaza
3 Garden Road
Central Hong Kong

Tel: 2970 0100

Fax: 2970 0080

18 March 2005

To the Independent Board Committee and Independent Shareholders
CompuTech Holdings Limited
10th Floor, Westlands Centre,
20 Westlands Road,
Quarry Bay,
Hong Kong

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD BY QUALIFYING SHAREHOLDERS

INTRODUCTION

We refer to the circular dated 18 March 2005 (the “Circular”) issued by the Company to its Shareholders of which this letter forms part and to due appointment as Independent Financial Adviser to the Independent Board Committee in respect of the Rights Issue, the details of which are set out in the letter from the Board (“Letter”) contained in the Circular. Terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms part unless the context otherwise requires.

The Company proposes the Rights Issue in the proportion of one Rights Share for every one existing Share held by the Qualifying Shareholders at HK\$0.02 per Rights Share. In accordance with Rule 10.29 of the GEM Listing Rules, the Rights Issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. Accordingly, Aplus Worldwide Limited (“Aplus”), a company incorporated in the British Virgin Islands and is owned as to 84% by Win Plus Group Limited, currently holds approximately 54.9% of the Company’s existing issued share capital, and its associates and the parties acting in concert with them shall abstain from voting in favour at the EGM.

LETTER FROM KGI

Aplus is the controlling Shareholder holding 131,688,000 Shares, representing approximately 54.9% of the Company's issued share capital as at the Latest Practicable Date. Aplus has irrevocably undertaken to the Company that the 131,688,000 Shares beneficially owned by it will remain registered in its name or the name of its nominee from the date of the Underwriting Agreement to the close of business on the Record Date. Aplus has also undertaken to subscribe or procure subscribers for its and its nominee's provisional entitlement in full, amounting to 131,688,000 Rights Shares, and has agreed to underwrite the balance of the Rights Issue, amounting to 108,312,000 Rights Shares, subject to fulfillment or waiver of the conditions set out in the Underwriting Agreement.

The net proceeds of the Rights Issue, after deduction of expenses, are estimated to be approximately HK\$4.3 million. The Company intends to use the net proceeds from the Rights Issue for general working capital purposes.

The Independent Board Committee, comprising Mr. Lee Sai Yeung, Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson, who are independent non-executive Directors, has been appointed to advise the Independent Shareholders in relation to the Rights Issue. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the Rights Issue, so far as the interests of the Independent Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our opinion, we have relied, to a considerable extent, on the information, statements, opinion and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true and accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have also discussed with the management of the Group regarding their plans for the Group and the prospects of the businesses of the Group.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Rights Issue and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

Also, we have not considered the tax consequences for the Shareholders in relation to the Rights Issue as these are specific to their own individual circumstances. Independent Shareholders should take into account their positions when considering the Rights Issue and to consult their professional advisers if in any doubt.

THE RIGHTS ISSUE

Principal factors and reasons considered

In formulating our opinion in relation to the Rights Issue, we have considered the following principal factors and reasons:

Business and financial performance

The Group is principally engaged in the research, development and sale of banking packaged software products, the provision of software related consultancy and technical services and system integration service in the People's Republic of China ("PRC") and Hong Kong.

During the two financial years ended 31 December 2003, the turnover of the Group decreased from approximately HK\$68.6 million for the year ended 31 December 2002 to approximately HK\$35.4 million for the year ended 31 December 2003, representing an decrease of approximately 48.4%. Furthermore, the Group experienced losses for the two consecutive financial years of 2002 and 2003. Net loss of the Group for the two years ended 31 December 2003 amounted to approximately HK\$20.9 million and HK\$27.3 million respectively, representing an increase of 30.8%. According to the annual report of the Group for the year ended 31 December 2003 ("Annual Report"), the substantial deterioration in the financial conditions of the Group for that year was mainly due to delays in the completion of structural reform of the financial industry in the PRC as well as the Severe Acute Respiratory Syndrome epidemic that led to a significant decrease in revenue. The increase in loss was also attributable to further provision for long outstanding bad debts and full provision of the remaining capitalised amount of development costs for three products, namely e-Banking, VIP Banking and e-Switch, which were approximately HK\$4.8 million and HK\$2.4 million respectively. In addition, according to the third quarterly report for the nine months ended 30 September 2004 ("Third Quarterly Report"), the Group continued to experience net loss of approximately HK\$9.2 million for the nine months ended 30 September 2004.

As at 31 December 2003, the Group had total current liabilities of approximately HK\$19.8 million (including unsecured bank overdrafts of approximately HK\$0.04 million, secured bank loan of approximately HK\$0.1 million, creditors, accruals and deposits of approximately HK\$18.7 million, tax payable of approximately HK\$0.2 million, amounts due to related companies of approximately HK\$0.5 million, and amounts due to Directors of approximately HK\$0.3 million), and total non-current liabilities of approximately HK\$2.0 million (including secured bank loan of approximately HK\$0.1 million and loan from a Director of approximately HK\$1.9 million). The bank balance and cash held by the Group as at 31 December 2003 were approximately HK\$8.5 million.

LETTER FROM KGI

According to the interim report for the six months ended 30 June 2004 (“Interim Report”), as at 30 June 2004, the Group had current assets amounted to approximately HK\$7.3 million, of which approximately HK\$1.4 million were cash and bank deposits and approximately HK\$5.9 million were debtors, deposits and prepayments. The current liabilities amounted to approximately HK\$13.4 million.

Although the current liability of the Group has decreased from approximately HK\$19.8 million as at 31 December 2003 to approximately HK\$13.4 million as at 30 June 2004, representing a decrease of 32.1%, comparatively, the bank balances and cash held by the Group have decreased substantially from approximately HK\$8.5 million as at 31 December 2003 to approximately HK\$1.4 million as at 30 June 2004, representing a substantial decrease of 83.1%. In view of the Group’s weak financial performance and position for the two years ended 31 December 2003 and the nine months ended 30 September 2004 as aforesaid, we concur with the Directors’ view, as stated in the Letter, that conducting the Rights Issue is an appropriate method as compared to other alternative fund raising methods, such as through bank borrowings, convertible bond issue and placement of new Shares to third parties, to strengthen the Group’s capital base and, thus, improving the Group’s position during discussion with the Group’s suppliers and bankers.

Use of proceeds from the Rights Issue

The net proceeds of the Rights Issue, after deduction of expenses of approximately HK\$0.5 million, are estimated to be approximately HK\$4.3 million. The Company intends to use the net proceeds from the Rights Issue for general working capital purposes.

As stated in the Letter under the paragraph headed “Reasons for the Rights Issue and use of proceeds”, the Directors are of the view that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position. We have considered the aforesaid benefits of the Rights Issue contributing to the Company by taking into account the fact that (i) the Group had experienced consecutive losses for the two years ended 31 December 2003 and the nine months ended 30 September 2004; (ii) the deteriorating cash position of the Group as reflected by the Annual Report and the Interim Report; and (iii) the working capital forecast of the Company for the period from January 2005 to March 2006. In addition, we have considered the change in cash position of the Group upon completion of the Rights Issue as compared to the unaudited cash position of the Group of approximately HK\$1.4 million as at 30 June 2004. Taking into account the net proceeds of the Rights Issue of HK\$4.3 million, upon completion of the Rights issue, the unaudited cash position of the Group would amount to approximately HK\$5.7 million, representing a substantially increase of approximately 307% to that as at 30 June 2004. In light of the above, we concur with the Directors’ view that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position.

LETTER FROM KGI

Subscription Price of the Rights Issue

The Company proposes to raise approximately HK\$4.8 million before expenses by way of Rights Issue of 240,000,000 Rights Shares at the Subscription Price of HK\$0.02 per Rights Shares payable in full on acceptance on the basis of one Rights Share for every one existing Share held on the Record Date. The Subscription Price of HK\$0.02 represents:

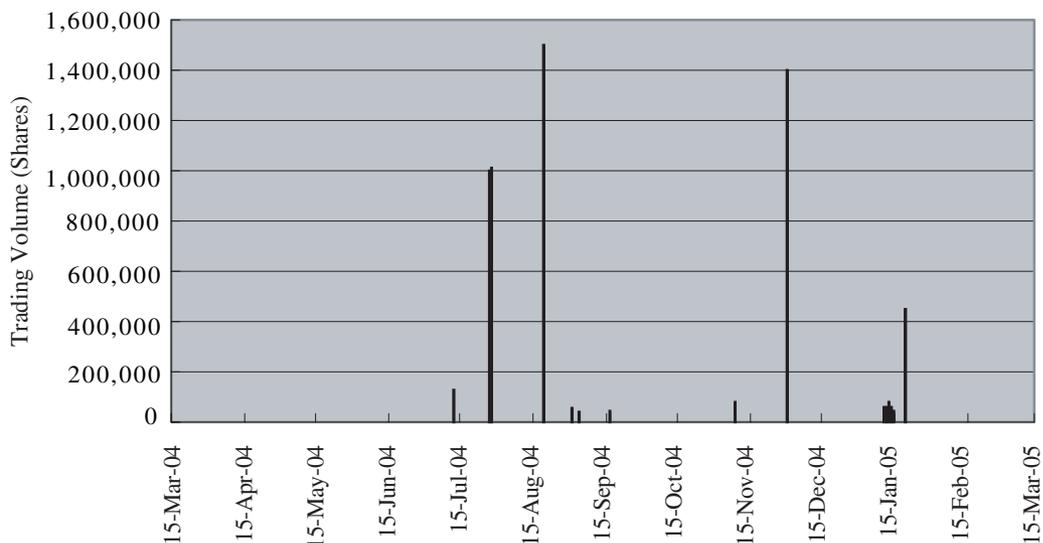
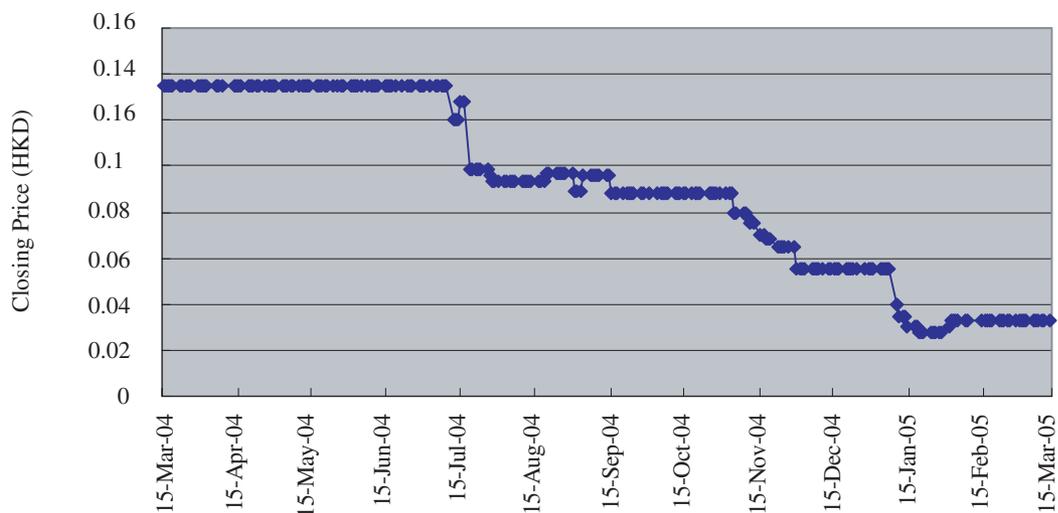
Date/Corresponding Period	Closing price/average closing price for the period (HK\$)	Approximately discounts on the Subscription Price to the closing price/average closing price (%)
Closing price on 20 January 2005, being the Last Trading Day	0.028	28.57
Average closing price per Share on the last 10 Trading Days up to and including 20 January 2005	0.035	42.86
Theoretical ex-rights price per Share based on the closing price on 20 January 2005	0.024	16.67
Closing price on the Latest Practicable Date	0.033	39.39

Sources: The Stock Exchange

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter, having regard to the prevailing market conditions, the recent trading volume and price performance of the Shares.

LETTER FROM KGI

The charts below set out the daily historical closing price and the trading volume of the Shares traded on the GEM for the one-year period up to and including the Latest Practicable Date (the “Review Period”):



Note: The trading of Shares was suspended from (i) 1 March 2004 up to and includes 14 June 2004; and (ii) 21 January 2005 up to and includes 27 January 2005.

Source: The Hong Kong Stock Exchange Website

LETTER FROM KGI

As indicated in the charts above, the closing price of the Shares during the Review Period has been gradually decreasing from HK\$0.14 since March 2004 to HK\$0.033 on the Latest Practicable Date, with the lowest closing price of HK\$0.028 during the period from 19 January 2005 to 27 January 2005. In addition, for the 248 Trading Days during the Review Period, save for the 67 days which trading was suspended, there were 166 Trading Days which no trading of the Shares was recorded on the Stock Exchange.

We have also reviewed, as set out in the following table, the average daily trading volume of the Shares during the Review Period, and the average daily trading volume of the Shares to the total number of Shares issued by the Company.

Month	Total trading volume for the month <i>(shares)</i>	Number of Trading Days in the month	Average daily trading volume for the month <i>(shares)</i>	Percentage of average daily trading volume for the month to total number of issued Shares <i>(%) (Note 3)</i>	Percentage of average daily trading volume for the month to total number of issued Shares held in public hands <i>(%) (Note 4)</i>
2004					
March <i>(Note 1)</i>	0	13	0	0	0
April	0	19	0	0	0
May	0	20	0	0	0
June	0	21	0	0	0
July	2,140,000	21	101,904.80	0.042	0.211
August	1,556,000	22	70,727.27	0.029	0.146
September	84,000	21	4,000	0.002	0.008
October	0	19	0	0	0
November	1,480,000	22	67,272.73	0.028	0.139
December	0	22	0	0	0
2005					
January	754,000	21	35,904.76	0.015	0.074
February	0	17	0	0	0
March <i>(Note 2)</i>	0	10	0	0	0

Sources: Hong Kong Stock Exchange

Note 1: Since 15 March 2004

Note 2: Up to and including the Latest Practicable Date

Note 3: Based on 240,000,000 issued Shares as at the Latest Practicable Date

Note 4: Based on 48,312,000 issued Shares held in public hands as at the Latest Practicable Date

LETTER FROM KGI

According to the table above, the trading of the Shares remained thin and less than 1% of the issued Shares held in public hands were traded in each month of the Review Period. In particular, trading of the Shares was suspended on 1 March 2004 in relation to possible very substantial acquisition by the Company and the trading was resumed on 15 June 2004 (details are disclosed in the Company's announcement dated 14 June 2004).

According to the website of the Stock Exchange, we have reviewed the subscription prices of, to the best of our knowledge, all the rights issues announced by companies listed on the GEM Board of the Stock Exchange (the "Comparables") in the 12-month period prior the the date of the Announcement and have analysed the information as set out in the table below:

	Date of circular/ prospectus <i>(Note 1)</i>	Subscription price <i>(HK\$)</i>	Discount I <i>(Note 2)</i> <i>(%)</i>	Discount II <i>(Note 3)</i> <i>(%)</i>	Discount III <i>(Note 4)</i> <i>(%)</i>
Leadership Publishing Group Limited (8010)	16 Jan 04	0.08	60.00	53.20	54.50
Recruit Holdings Limited (8073)	19 March 04	0.012	72.10	61.50	56.40
New Universe International Group Limited (8068)	7 June 04	0.05	37.50	40.41	29.58
Leadership Publishing Group Limited (8010)	18 Aug 04	0.05	16.67	15.83	12.28
Thiz Technology Group Limited (8119)	25 Nov 04	0.013	18.75	31.58	13.33
Maximum discount			72.10	61.50	56.40
Minimum discount			16.67	15.83	12.28
Mean			41.00	40.50	33.22
Median			37.50	40.41	29.58
The Company		0.02	28.57	42.86	16.67

Notes:

- (1) Being the date of circular/prospectus of rights issue.
- (2) Discount I being discount of the subscription price to the closing price on last Trading Day prior to the release of the respective circular/prospectus.
- (3) Discount II being discount of the subscription price to the average closing price for the last 10 Trading Days up to and including the last Trading Day prior to the release of the respective circular/prospectus.
- (4) Discount III being discount of the subscription price to the theoretical ex-rights price calculation based on the closing price on the last Trading Day prior to the release of the respective circular/prospectus.

LETTER FROM KGI

We notice that the business activities of the Comparables are not directly comparable to those carried out by the Group. We consider that an industry comparison would not be relevant as the terms of a rights issue by a listed company are largely determined by reference to the stock market conditions and are specific to the individual company. In our analysis, we have included all 5 rights issues carried out on GEM in the 12-month period prior to the date of the Announcement.

As shown in the table above, the discounts of the Subscription Price to the closing price, to the average closing price for the last 10 Trading Days up to and including the Last Trading Day and to the theoretical ex-rights price calculation based on the closing price on the Last Trading Day prior to the release of the Announcement are approximately 28.57%, 42.86% and 16.67% respectively, which all ranked within the ranges between the maximum discount and the minimum discount among the Comparables. Meanwhile, the discounts of the Subscription Price to the closing price of 28.57%, to the average closing price for the last 10 Trading Days up to and including the Last Trading Day of 42.86% and to the theoretical ex-rights price of 16.67% are close to the mean and median discounts of the Comparables, in particular the discounts of the Subscription Price to the closing price of 28.57% and to the theoretical ex-rights price of 16.67% are relatively lower, which are considerably more favourable compared to the mean and median discounts of the Comparables which are approximately 41.00% and 37.50%, and 33.22% and 29.58% respectively.

The lower the discount of the Subscription Price to the prevailing market price of the Shares, the lesser the reduction in value, by reference to the theoretical ex-rights price, in the shareholdings of those Shareholders who do not wish to subscribe for additional Shares will be. Furthermore, the nil-paid Rights Shares will be traded on the Stock Exchange and Independent Shareholders can dispose their nil-paid Rights Shares in the market and the reduction in value as described above may be compensated for as the Shareholders may sell their nil-paid Rights Shares. Nevertheless, since the trading volume of the Shares is relatively thin, the amount of proceeds from the disposal of such nil-paid Rights Shares is by no means certain.

The closing price of the Shares has been gradually decreasing from HK\$0.14 since March 2004 to HK\$0.033 on the Latest Practicable Date. Independent Shareholders who wish to subscribe for the Rights Issue should however note that if the declining trend continues, the prevailing trading price of Shares in the market might fall below the Subscription Price. In such event, it will be more appropriate for those who would like to subscribe for the Rights Shares to purchase such number of Shares in the market than to subscribe for the Rights Issue.

Having considered the share price performance, low liquidity of the Shares and relatively smaller discount to the mean and median discounts of the Comparables, we concur with the views of the Directors that the Subscription Price, is fair and reasonable so far as the Independent Shareholders are concerned.

Dilution effect of the Rights Issue on shareholdings

The shareholdings of those Independent Shareholders who take up their entitlement in full under the Rights Issue will not be diluted by the Rights Issue. However, shareholdings of those Independent Shareholders who do not subscribe in full their provisional allotments under the

LETTER FROM KGI

Rights Issue will be diluted after completion of the Rights Issue up to a maximum dilution of 50%. On the other hand, Independent Shareholders who wish to increase their shareholdings in the Company through the Rights Issue may, subject to availability, acquire additional nil-paid Rights Shares or apply for excess Rights Shares.

Given the fact that the period during which Qualifying Shareholders can dispose of their nil-paid Rights Shares is limited and the liquidity of the Shares on GEM is very thin as described in the above paragraph headed “Subscription Price of the Rights Issue”, those Qualifying Shareholders who wish to dispose of their entitlements should be aware that they may not receive a cash consideration which fully reflects the discounts between the Subscription Price and the theoretical ex-rights price per Share. Whereas Independent Shareholders cannot participate in a placement of equity, in a rights issue they are given the option to maintain or increase their shareholdings under the terms of the rights issue. Therefore, we consider that the dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

Financial effects of the Rights Issue

To review the financial effects of the Rights Issue, we have taken the consideration of the financial effects of the Rights Issue on the unaudited consolidated net tangible assets value (“NTA”) as well as the debt ratio (i.e. total current liabilities/total current assets) of the Group.

The following sets out the pro forma unaudited adjusted consolidated net tangible negative assets of the Group as disclosed in Appendix I of the Circular under the paragraph headed “Statement of Pro Forma Unaudited Adjusted Consolidated Net Tangible Negative Assets of the Group”, illustrating the effects of the Rights Issue:

	<i>HK\$'000</i>
Unaudited consolidated net tangible negative assets of the Group as at 30 June 2004	(7,901)
<i>Add:</i> Estimated net proceeds from the Rights Issue	4,300
Unaudited pro forma adjusted consolidated net tangible negative assets following the completion of the Rights Issue	(3,601)
Unaudited pro forma adjusted consolidated net tangible negative assets value per Share as at 30 June 2004 based on 240,000,000 Shares in issue as at the Latest Practicable Date	(HK\$0.033)
Unaudited pro forma adjusted consolidated net tangible negative assets value per Share immediately following completion of the Rights Issue based on 480,000,000 Shares in issue as enlarged by 240,000,000 Rights Shares	(HK\$0.008)

LETTER FROM KGI

The unaudited adjusted consolidated net tangible negative assets of the Group before the Rights Issue was approximately HK\$7.9 million, representing approximately HK\$0.033 per Share. The unaudited adjusted consolidated net tangible negative assets of the Group upon the completion of the Rights Issue was approximately HK\$3.6 million, representing approximately HK\$0.008 per Share. Since the Group experienced net tangible negative assets before and upon the completion of the Rights Issue, the Subscription Price is favourable to improve the financial position of the Group.

As at 31 December 2003, the total current assets and total current liabilities of the Group were approximately HK\$19.9 million and HK\$19.8 million respectively, resulting in a debt ratio of approximately 99.5%. Upon completion of the Rights Issue, assuming the total current liabilities remain the same, the total current assets of the Group will be increased by approximately HK\$4.3 million, the debt ratio will decrease to approximately 81.8%. As such, the Rights Issue will increase the total assets of the Group and will improve the debt ratio of the Company. The working capital position of the Group will also be enhanced upon the completion of the Rights Issue. The Directors consider that the Rights Issue provides capital to the Group and provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position with the proceeds.

Since the Rights Issue will 1) lower the debt ratio of the Group from 99.5% to 81.8%; 2) increase the Group's cash and bank balances from approximately HK\$1.4 million as at 30 June 2004 to approximately HK\$5.7 million, assuming the cash and bank balances of the Group prior to the Rights Issue remained unchanged at HK\$1.4 million; and 3) provide the Group with extra general working capital and hence strengthen its working capital position and enhance its financial position, we concur with the view of the Directors that the Rights Issue can strengthen the Group's capital base and improve the financial position of the Group.

Alternative fund raising methods

In addition to the Rights Issue, there are other alternatives to raise funds for the Group, such as through bank borrowings, convertible bond issue and placement of new Shares to third parties. Given the thin trading volume of the Share and the fact that the business operations of the Group are currently experiencing losses, the Directors are of the view that it will be very difficult for the Group to obtain loan financing from banks independently and that placing of new Shares to third parties will result in a dilution of shareholdings of Shareholders.

We therefore concur with the Directors' view that the Rights Issue, which provides the existing Shareholders an opportunity to participate, is a reasonable fund raising method to strengthen the Group's financial position and to enlarge its capital base. The Rights Issue will offer all Qualifying Shareholders (other than the Non-Qualifying Shareholders) an opportunity to participate in the future development of the Group and will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings. Having considered the difficulties for the Group to obtain favorable terms for borrowings and the dilution of shareholdings of Shareholders from placing of new Shares, we are of the opinion that the Rights Issue is a comparatively appropriate method to strengthen the Group's capital base.

Underwriting arrangement

According to the Directors, given the fact that the Group had made losses for each of the two financial years ended 31 December 2003 and the low liquidity in trading volume of the Shares, it is difficult to engage a suitable underwriter for the Rights Issue, therefore, the Company approaches Aplus to act as the Underwriter of the Rights Issue. Aplus is the beneficial owner of 131,688,000 Shares, representing approximately 54.9% of the Company's existing issued share capital. Aplus has irrevocably undertaken to the Company that the 131,688,000 Shares beneficially owned by it will remain registered in its name or the name of its nominee, and has also undertaken to subscribe or procure subscribers for its and its nominee's provisional entitlement in full, amounting to 131,688,000 Rights Shares, and has agreed to underwrite the remaining balance of the Rights Issue, amounting to 108,312,000 Rights Shares, subject to fulfillment or waiver of the conditions set out in the Underwriting Agreement which we have reviewed. The principal terms and provisions of the Underwriting Agreement are on normal commercial terms and in line with the market practice and we consider that such an arrangement arises by virtue of Aplus's intention to facilitate the Rights Issue and its continued support for the Group.

Aplus is the beneficial owner of 131,688,000 Shares, representing approximately 54.9%, of the Company's existing issued share capital as at the Latest Practicable Date. If all Qualifying Shareholders take up their corresponding Rights Shares in full, the shareholding structure of the Company upon the completion of the Rights Issue will remain unchanged. If no minority Shareholder elects to subscribe for Shares under the Rights Issue, Aplus will take up all its entitlement in full, amounting to 240,000,000 Rights Shares, approximately 77.4% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. The shareholding of the public Shareholders will then decrease from approximately 20.1% to approximately 10.1%, which is lower than the minimum prescribed percentage of Shares in public hand of 20% as stated in rule 11.23 of the GEM Listing Rules. As stated in the Letter, it is the intention of Aplus to maintain the listing of the Company following completion of the Rights Issue. Accordingly, the Company, the Underwriter and their respective directors have jointly and severally undertaken to the Stock Exchange that the Company and the Underwriter will take appropriate steps, to ensure not less than 20% of the Shares are held by the public at all times in compliance with the minimum public float requirement of the GEM Listing Rules. Please refer to the section headed "Dilution effect of the Rights Issue on shareholdings" above for details of the dilution effect.

Maintaining listing status

The Stock Exchange has stated that, if less than 20% of the issued Shares are in public hands following completion of the Rights Issue, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares. Accordingly, it should be noted that upon the completion of the Rights Issue, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained. Shareholders and the public should exercise caution when dealing in the Shares.

LETTER FROM KGI

As stated in the Letter, it is the intention of Aplus, which is also the Underwriter, to maintain the listing of the Company following completion of the Rights Issue. Accordingly, the Company, Aplus and their respective directors have jointly and severally undertaken to the Stock Exchange that the Company and Aplus will take appropriate steps to ensure not less than 20% of the Shares are held by public at all times in compliance with the minimum public float requirement of the GEM Listing Rules.

Applications for excess Rights Shares

According to the Letter, Qualifying Shareholders may apply for any unsold nil-paid entitlements of Non-Qualifying Shareholders and any Rights Shares provisionally allotted to but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares by the way of excess applications, should they wish to increase their shareholdings in the Company. Application can be made by completing the application form for excess Rights Shares and lodging the same with remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

We consider that such arrangement of applications for excess Rights Shares is fair and reasonable so far as the Qualifying Shareholders are concerned.

Recommendations on the Rights Issue

Having considered the above principal factors and reasons, in particular, (1) the Directors' view of the Group's current financial situation; (2) the Rights Issue is a better way to raise funds when compared with other alternatives of funds raising methods; (3) the discount of the Subscription Price to the market price is fair and reasonable; (4) the Rights Issue provides funding for the operation of the Group, enhances the capital base of the Group and improves liquidity and financial position of the Group; and (5) the arrangement of applications for excess Rights Shares under the Rights Issue will offer Qualifying Shareholders the opportunity to increase, should they wish so, their shareholdings in the Company, we concur with the Directors' view that the Rights Issue is in the best interests of the Group and the Shareholders as a whole, and the terms of it are fair and reasonable and are in the best interests of the Group and Independent Shareholders as a whole, so far as the Independent Shareholders are concerned and would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the resolution to approve the Rights Issue to be proposed at the EGM.

Yours faithfully
For and on behalf of
KGI Capital Asia Limited
Kim Chan
Director

1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statements for each of the three years ended 31 December 2003 and the audited consolidated balance sheets as at 31 December 2001, 31 December 2002 and 31 December 2003 as extracted from the annual report of the Company for the relevant years.

Consolidated Income Statement

	For the year ended 31 December		
	2003	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	35,399	68,635	120,990
Cost of sales	(32,543)	(55,012)	(92,923)
	<u> </u>	<u> </u>	<u> </u>
Gross profit	2,856	13,623	28,067
Other income	23	143	452
Impairment loss of development costs	(2,396)	(2,532)	–
Bad debts	(4,825)	(3,945)	(714)
Provision for diminution in value of investment securities	–	(2,342)	–
Selling and distribution expenses	(4,086)	(4,866)	(2,172)
Administrative expenses	(17,745)	(19,011)	(19,022)
	<u> </u>	<u> </u>	<u> </u>
Operating (loss)/profit	(26,173)	(18,930)	6,611
Finance costs	(447)	(335)	(472)
Amortisation of goodwill on consolidation	(661)	(1,587)	(1,587)
	<u> </u>	<u> </u>	<u> </u>
(Loss)/profit before income tax	(27,281)	(20,852)	4,552
Income tax expense	(1)	–	–
	<u> </u>	<u> </u>	<u> </u>
(Loss)/profit for the year	<u>(27,282)</u>	<u>(20,852)</u>	<u>4,552</u>
(Loss)/earnings per share			
– Basic (HK cents)	<u>(11.37)</u>	<u>(8.78)</u>	<u>2.28</u>

Consolidated Balance Sheet

	For the year ended 31 December		
	2003	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	220	2,165	2,218
Investment securities	–	–	2,342
Development costs	1,896	6,196	7,886
Goodwill on consolidation	–	661	2,248
	<u>2,116</u>	<u>9,022</u>	<u>14,694</u>
CURRENT ASSETS			
Inventories – spare parts	308	178	127
Debtors, deposits and prepayments	11,075	39,038	43,264
Pledged time deposit	–	3,203	3,171
Cash and bank balances	8,494	4,997	12,569
	<u>19,877</u>	<u>47,416</u>	<u>59,131</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts			
– secured	–	2,746	638
– unsecured	42	43	–
Secured bank loan	115	107	–
Bills payable	–	466	3,201
Creditors, accruals and deposits	18,660	23,712	40,056
Value-added tax payable	178	1,200	1,356
Income tax payable	1	–	–
Obligations under finance lease	–	16	13
Amounts due to related companies	461	431	431
Amounts due to directors	332	–	800
	<u>19,789</u>	<u>28,721</u>	<u>46,495</u>
NET CURRENT ASSETS	<u>88</u>	<u>18,695</u>	<u>12,636</u>
NET ASSETS	<u>2,204</u>	<u>27,717</u>	<u>27,330</u>

	For the year ended 31 December		
	2003	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REPRESENTING:			
SHARE CAPITAL	24,000	24,000	20,000
RESERVES	<u>(23,771)</u>	<u>3,511</u>	<u>7,314</u>
SHAREHOLDERS' FUNDS	229	27,511	27,314
NON-CURRENT LIABILITIES			
Secured bank loan	91	206	–
Loan from a director	<u>1,884</u>	<u>–</u>	<u>16</u>
	<u>2,204</u>	<u>27,717</u>	<u>27,330</u>

2. AUDITORS' REPORT AND FINANCIAL STATEMENTS OF THE COMPANY

- (a) Set out below are the full texts of the auditors' report of the Company for the year ended 31 December 2003 as extracted from the 2003 annual report of the Company. Reference to page numbers in the auditors' report and the audited financial statements of the Group is to the page numbers of the 2003 annual report of the Company.

梁學濂會計師事務所

PKF

26th Floor, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

To the members of

Computech Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 16 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF

Certified Public Accountants

Hong Kong, 5th March, 2004

- (b) Set out below are the audited financial statements of the Group for the year ended 31 December 2003 as extracted from the 2003 annual report of the Company. Reference to page numbers in the audited financial statements of the Group is to the page numbers of the 2003 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2003

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	2	35,399	68,635
Cost of sales		<u>(32,543)</u>	<u>(55,012)</u>
Gross profit		2,856	13,623
Other income		23	143
Impairment loss of development costs		(2,396)	(2,532)
Bad debts		(4,825)	(3,945)
Provision for diminution in value of investment securities		–	(2,342)
Selling and distribution expenses		(4,086)	(4,866)
Administrative expenses		<u>(17,745)</u>	<u>(19,011)</u>
Operating loss		(26,173)	(18,930)
Finance costs		(447)	(335)
Amortisation of goodwill on consolidation		<u>(661)</u>	<u>(1,587)</u>
Loss before income tax	3	(27,281)	(20,852)
Income tax expense	4	<u>(1)</u>	<u>–</u>
Loss for the year	5	<u><u>(27,282)</u></u>	<u><u>(20,852)</u></u>
Loss per share			
– Basic (HK cents)	6	<u><u>(11.37)</u></u>	<u><u>(8.78)</u></u>

CONSOLIDATED BALANCE SHEET*At 31st December, 2003*

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	<i>9</i>	220	2,165
Investment securities	<i>11</i>	–	–
Development costs	<i>12</i>	1,896	6,196
Goodwill on consolidation	<i>13</i>	–	661
		<u>2,116</u>	<u>9,022</u>
CURRENT ASSETS			
Inventories – spare parts		308	178
Debtors, deposits and prepayments	<i>14</i>	11,075	39,038
Pledged time deposit		–	3,203
Cash and bank balances	<i>16</i>	8,494	4,997
		<u>19,877</u>	<u>47,416</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts			
– secured		–	2,746
– unsecured		42	43
Secured bank loan	<i>15 & 17</i>	115	107
Bills payable		–	466
Creditors, accruals and deposits	<i>18</i>	18,660	23,712
Value-added tax payable		178	1,200
Income tax payable		1	–
Obligations under finance lease		–	16
Amounts due to related companies	<i>19</i>	461	431
Amounts due to directors	<i>19</i>	332	–
		<u>19,789</u>	<u>28,721</u>
NET CURRENT ASSETS		<u>88</u>	<u>18,695</u>
NET ASSETS		<u>2,204</u>	<u>27,717</u>

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
REPRESENTING:			
SHARE CAPITAL	20	24,000	24,000
RESERVES		<u>(23,771)</u>	<u>3,511</u>
SHAREHOLDERS' FUNDS		229	27,511
NON-CURRENT LIABILITIES			
Secured bank loan	15 & 17	91	206
Loan from a director	22	<u>1,884</u>	<u>–</u>
		<u>2,204</u>	<u>27,717</u>

BALANCE SHEET*At 31st December, 2003*

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NON-CURRENT ASSET			
Interests in subsidiaries	<i>10</i>	<u>9,982</u>	<u>39,315</u>
CURRENT ASSETS			
Deposits and prepayments		219	219
Cash at bank		<u>7</u>	<u>8</u>
		<u>226</u>	<u>227</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdraft – unsecured		42	–
Accruals		460	445
Amount due to a director	<i>19</i>	<u>197</u>	<u>–</u>
		<u>699</u>	<u>(445)</u>
NET CURRENT LIABILITIES		<u>(473)</u>	<u>(218)</u>
NET ASSETS		<u><u>9,509</u></u>	<u><u>39,097</u></u>
REPRESENTING:			
SHARE CAPITAL	<i>20</i>	24,000	24,000
RESERVES	<i>21</i>	<u>(14,491)</u>	<u>15,097</u>
SHAREHOLDERS' FUNDS		<u><u>9,509</u></u>	<u><u>39,097</u></u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December, 2003*

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(27,281)	(20,852)
Adjustments for:		
Interest income	(23)	(73)
Interest expenses	227	175
Impairment loss of development costs	2,396	2,532
Provision for diminution in value of investment securities	–	2,342
Loss on disposal of fixed assets	985	–
Amortisation of goodwill on consolidation	661	1,587
Depreciation and amortisation	3,854	3,608
	<hr/>	<hr/>
Operating loss before working capital changes	(19,181)	(10,681)
Increase in inventories	(130)	(51)
Decrease in debtors, deposits and prepayments	27,963	4,226
Decrease/(increase) in pledged time deposit	3,203	(32)
Decrease in creditors, accruals and deposits	(5,052)	(16,344)
Decrease in value-added tax payable	(1,022)	(156)
Increase in amounts due to related companies	30	–
	<hr/>	<hr/>
Cash generated from/(used in) operations	5,811	(23,038)
Interest received	23	73
Interest paid	(227)	(175)
	<hr/>	<hr/>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	5,607	(23,140)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to acquire fixed assets	(7)	(864)
Sales proceeds of fixed assets	5	–
Increase in development costs	(988)	(3,533)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(990)	(4,397)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in bank loan	(107)	313
Decrease in bills payable	(466)	(2,735)
Increase/(decrease) in amounts due to directors	332	(800)
Increase in loan from a director	1,884	–
Issue of shares for cash	–	22,000
Share issuing expenses	–	(951)
Principal repayment of obligations under finance lease	(16)	(13)
	<u>1,627</u>	<u>17,814</u>
NET CASH FROM FINANCING ACTIVITIES	<u>1,627</u>	<u>17,814</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	6,244	(9,723)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	<u>2,208</u>	<u>11,931</u>
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	<u><u>8,452</u></u>	<u><u>2,208</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,494	4,997
Bank overdrafts	(42)	(2,789)
	<u><u>8,452</u></u>	<u><u>2,208</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31st December, 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2002	20,000	1,981	100	5,233	27,314
Issue of ordinary shares	4,000	–	–	–	4,000
Premium on issue of ordinary shares	–	18,000	–	–	18,000
Share issuing expenses	–	(951)	–	–	(951)
Loss for the year	–	–	–	(20,852)	(20,852)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.2002 and 1.1.2003	24,000	19,030	100	(15,619)	27,511
Loss for the year	–	–	–	(27,282)	(27,282)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31.12.2003	<u>24,000</u>	<u>19,030</u>	<u>100</u>	<u>(42,901)</u>	<u>229</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Group reorganisation

The Company was incorporated in the Cayman Islands on 29th 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 Company became the holding company of the companies now comprising the Group on 3rd June, 2000. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19th June, 2000.

(b) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") and are prepared under the historical cost convention.

In the current year, the Group adopted SSAP 12 (revised) "Income taxes" issued by the HKSA which is effective for the current year's financial statements.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (revised) had no significant effect on the results for the current or prior accounting periods.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intra-group transactions and balances have been eliminated on consolidation.

(d) Goodwill on consolidation

Goodwill on consolidation represents the excess of the purchase consideration over the attributable share of the fair value of separable net assets of subsidiaries at the date of acquisition and is amortised on a straight line basis over three years from the date of acquisition of subsidiaries.

(e) Fixed assets and depreciation

Fixed assets are stated at cost less aggregate depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss on disposal of the fixed assets representing the difference between the net sales proceeds and the carrying amount of the relevant asset, is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as set out below on a straight line basis:

Computer equipment	–	3 years
Furniture and fixtures	–	4 years
Motor vehicles	–	3 years
Leasehold improvements	–	shorter of 5 years and lease term

Assets held under finance leases are depreciated over their expected useful lives on the same basis as own assets or where shorter, the terms of the relevant leases.

(f) Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

(g) Subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(h) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

(i) Development costs

Development costs are capitalised only when it is expected that the product under development will generate probable future economic benefits and will be produced or used internally, its technical feasibility has been demonstrated and the expenditure is separately identifiable and has been measured reliably. Development costs are amortised on a straight line basis over three years commencing when the relevant product is available for sale or use. Development costs which do not meet these criteria are expensed when incurred.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(l) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Income from rendering of computer related services is recognised at the time when the services are provided.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) Employee benefits

Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in the income statement as incurred.

When the Company grants employees options to acquire its shares, the option exercise price will be determined by the directors at the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, the equity is increased by the amount of proceeds received.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

The consolidated financial statements are prepared by using the net investment method such that the balance sheet of the Company's PRC subsidiary is translated in Hong Kong dollars at the market exchange rate ruling at the balance sheet date while the income statement is translated at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with in the exchange reserve.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(q) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Sales of packaged software products and related services	4,528	13,015
System integration	28,007	54,287
Others	2,864	1,333
	<hr/>	<hr/>
Turnover	35,399	68,635
Interest income	23	73
	<hr/>	<hr/>
Total revenue	<u>35,422</u>	<u>68,708</u>

3. LOSS BEFORE INCOME TAX

	2003 HK\$'000	2002 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of development costs	2,901	2,736
Minimum lease payments paid under operating leases	2,127	2,442
Auditors' remuneration	254	300
Depreciation		
– own assets	962	903
– asset held under finance lease	–	14
	962	917
Less: Amounts capitalised as development costs	9	45
	953	872
Directors' remuneration – <i>Note 8(a)</i>	872	2,260
Less: Amounts capitalised as development costs	212	636
	660	1,624
Other staff salaries and benefits	6,116	9,760
Less: Amounts capitalised as development costs	484	1,910
	5,632	7,850
Retirement scheme contributions	144	160
Less: Amounts capitalised as development costs	6	16
	138	144
Bank overdraft and bills interest	169	164
Interest on bank and other loans wholly repayable within five years	56	6
Finance lease interest	2	5
Exchange loss/(gain)	427	(64)
Sales proceeds	(5)	–
Less: Net book value	990	–
Loss on disposal of fixed assets	985	–

4. INCOME TAX EXPENSE

	2003 HK\$'000	2002 HK\$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year	1	–

The Company's subsidiary operating in the PRC sustained a loss for tax purpose during the year.

- (a) The income tax expense for the year can be reconciled to the loss per income statement as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss before income tax	<u>(27,281)</u>	<u>(20,852)</u>
Tax effect at PRC statutory income tax rate of 33%	(9,003)	(6,881)
PRC and Hong Kong tax rates differential	2,381	2,653
Tax effect of income/expenses that are not taxable/deductible	2,011	1,194
Tax effect of capital allowances claimed and prescribed fixed assets written off	(88)	(50)
Effect of tax loss not recognised	<u>4,700</u>	<u>3,084</u>
Income tax expense	<u><u>1</u></u>	<u><u>–</u></u>

- (b) The components of unrecognised deductible/(taxable) temporary differences are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Deductible temporary differences (<i>Note 4(b)(i)</i>)		
Unutilised tax losses (<i>Note 4(b)(ii)</i>)	54,083	33,493
Provision for bad debts	4,085	3,867
Decelerated depreciation allowances	<u>409</u>	<u>628</u>
	<u>58,577</u>	<u>37,988</u>
Taxable temporary differences (<i>Note 4(b)(iii)</i>)		
Accelerated depreciation allowances	–	(234)
Revenue recognised for financial reporting purposes before being recognised for tax purposes	<u>(6,573)</u>	<u>(11,159)</u>
	<u>(6,573)</u>	<u>(11,393)</u>
	<u><u>52,004</u></u>	<u><u>26,595</u></u>

- (i) Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.
- (ii) The unutilised tax losses accumulated in the PRC subsidiary amounted to approximately HK\$16,936,000 (2002: HK\$11,051,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to HK\$37,147,000 (2002: HK\$22,442,000) can be carried forward indefinitely.
- (iii) Taxable temporary differences have not been recognised owing to immateriality.

5. LOSS FOR THE YEAR

Loss for the year includes a loss of approximately HK\$29,588,000 (2002: HK\$1,139,000) which has been dealt with in the financial statements of the Company.

6. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the following data:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss		
Loss for the year used in the calculation of basic loss per share	<u>(27,282)</u>	<u>(20,852)</u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>240,000,000</u>	<u>237,589,041</u>

No diluted loss per share are shown because the potential ordinary shares issuable under the Company's share option scheme have no dilutive effect.

7. RETIREMENT BENEFIT COSTS

The Hong Kong operating subsidiaries of the Group had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries.

The Company's subsidiary in PRC has participated in a central pension scheme, contributions are made by the subsidiary to the scheme based on 19% to 24% of the applicable payroll costs. The Group has no obligation other than above-mentioned contributions.

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees		
– Executive directors	–	15
– Non-executive directors	–	10
– Independent non-executive directors	240	240
Other emoluments of executive directors		
– Salaries and allowances	602	1,900
– Retirement scheme contributions	30	95
	<u>872</u>	<u>2,260</u>

Three executive directors received individual emoluments of approximately HK\$267,000, HK\$190,000 and HK\$175,000 respectively for the year ended 31st December, 2003 (2002: HK\$846,000, HK\$606,000 and HK\$558,000).

During the year, no other emoluments were paid by the Group to the non-executive directors.

The number of directors whose remuneration fell within the following band were:

	2003	2002
Emoluments		
Nil to HK\$1,000,000	<u>9</u>	<u>9</u>

Three executive directors waived their emoluments during the year amounted to approximately HK\$770,000, HK\$347,000 and HK\$333,000 respectively (2002: HK\$ Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

Among the five highest paid individuals in the Group, one is the director of the Company and the details of his remuneration have already been disclosed above.

The emoluments and designated band of the remaining four highest paid, non-director individuals during the year are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and allowances	1,322	1,320
Retirement scheme contributions	66	55
	<u>1,388</u>	<u>1,375</u>

The remuneration of the non-director, highest paid employees during the year fell within the band of nil to HK\$1,000,000.

9. FIXED ASSETS

	Computer equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1.1.2003	2,602	96	828	1,582	5,108
Additions	3	–	–	4	7
Disposals	(2,605)	(96)	–	(1,586)	(4,287)
	<u>–</u>	<u>–</u>	<u>828</u>	<u>–</u>	<u>828</u>
At 31.12.2003	–	–	828	–	828
Aggregate depreciation:					
At 1.1.2003	1,810	63	332	738	2,943
Charge for the year	283	17	276	386	962
Written back on disposals	(2,093)	(80)	–	(1,124)	(3,297)
	<u>–</u>	<u>–</u>	<u>608</u>	<u>–</u>	<u>608</u>
At 31.12.2003	–	–	608	–	608
Net book value:					
At 31.12.2003	<u>–</u>	<u>–</u>	<u>220</u>	<u>–</u>	<u>220</u>
At 31.12.2002	<u>792</u>	<u>33</u>	<u>496</u>	<u>844</u>	<u>2,165</u>

10. INTERESTS IN SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	100	100
Amounts due from subsidiaries – <i>Note 10(b)</i>	<u>38,452</u>	<u>39,215</u>
	38,552	39,315
Less: Provision for bad debts	<u>28,570</u>	<u>–</u>
	<u>9,982</u>	<u>39,315</u>

(a) The details of the subsidiaries are as follows:

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			Directly	Indirectly	
Computech International Limited	The British Virgin Islands	1,000 shares of US\$1 each	100%	–	Investment holding
CL Computers (China) Limited	Hong Kong	10 ordinary shares of HK\$1 each 400,002 non-voting deferred shares of HK\$1 each*	–	100%	Investment holding
CL Computers System (Beijing) Co., Ltd.	PRC	US\$500,000	–	100%	Software application development and customer liaison
Computech Systems (Asia) Limited	Hong Kong	10 ordinary shares of HK\$1 each 12,690,000 non-voting deferred shares of HK\$1 each*	–	100%	Provision of IT solution services and related research and development
Computech Systems Limited	Hong Kong	100,000 shares of HK\$1 each	–	100%	Provision of hardware warranty services
Computech Convergence Limited	The British Virgin Islands	10 shares of US\$1 each	–	100%	Dormant

* The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution in winding up.

(b) The amounts are interest-free, unsecured and have no fixed repayment term.

11. INVESTMENT SECURITIES

	2003 HK\$'000	2002 HK\$'000
Unlisted equity securities, at cost	2,342	2,342
Less: Provision for diminution in value	2,342	2,342
	<u>–</u>	<u>–</u>

The above represented the Group's share of contributions to a company, of which the Group has an approximately 4% equity interest therein. The investee company was dormant during the year.

12. DEVELOPMENT COSTS

	<i>HK\$'000</i>
Cost:	
At 1.1.2003	12,337
Additions	<u>997</u>
At 31.12.2003	----- 13,334
Aggregate amortisation:	
At 1.1.2003	3,609
Charge for the year	<u>2,901</u>
At 31.12.2003	----- 6,510
Impairment loss:	
At 1.1.2003	2,532
Charge for the year	<u>2,396</u>
At 31.12.2003	----- 4,928
Net book value:	
At 31.12.2003	<u><u>1,896</u></u>
At 31.12.2002	<u><u>6,196</u></u>

13. GOODWILL ON CONSOLIDATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Goodwill arising from acquisition of subsidiaries	4,761	4,761
Less: Aggregate amortisation	<u>4,761</u>	<u>4,100</u>
Unamortised goodwill at 31st December	<u><u>–</u></u>	<u><u>661</u></u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Debtors, deposits and prepayments comprise:		
Trade debtors	17,313	35,899
Less: Provision for bad debts	7,775	3,704
	<u>9,538</u>	<u>32,195</u>
Other debtors, deposits and prepayments	1,537	6,843
	<u>11,075</u>	<u>39,038</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 associate with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0 – 3 months	587	22,263
4 – 6 months	29	2,276
7 – 12 months	5,591	3,951
Over 1 year but within 2 years	6,661	7,409
Over 2 years	4,445	–
	<u>17,313</u>	<u>35,899</u>

15. BANKING FACILITIES

As at 31st December, 2003, the Group's available banking facilities to the extent of approximately HK\$206,000 (2002: HK\$313,000) are secured by a motor vehicle with net book value of approximately HK\$220,000 (2002: HK\$352,000).

16. CASH AND BANK BALANCES

At 31st December, 2003, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$8,051,000 (2002: HK\$4,931,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

17. SECURED BANK LOAN

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Principal outstanding	206	313
Less: Amount repayable within one year (shown under current liabilities)	115	107
Amount repayable after one year but within five years (shown under non-current liabilities)	<u>91</u>	<u>206</u>

18. CREDITORS, ACCRUALS AND DEPOSITS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Creditors, accruals and deposits comprise:		
Trade creditors	13,055	19,108
Other creditors, accruals and deposits	5,605	4,604
	<u>18,660</u>	<u>23,712</u>

The following is an aging analysis of trade creditors:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0 – 6 months	839	15,822
7 – 12 months	4,193	1,642
Over 12 months	8,023	1,644
	<u>13,055</u>	<u>19,108</u>

19. AMOUNTS DUE TO RELATED COMPANIES AND DIRECTORS

The amounts are interest-free, unsecured and repayable on demand.

20. SHARE CAPITAL

	Group and Company	
	Number of shares	HK\$'000
Authorised:		
At 1st January, 2003 and 31st December, 2003	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st January, 2003 and 31st December, 2003	<u>240,000,000</u>	<u>24,000</u>

- (a) Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company.

The purpose of the Scheme is to encourage the officers and staff to participate in the ownership of the Company in order to provide additional incentives to them.

The total number of shares available for issue under the Scheme is 64,176,000 which represent 26.74% of the issued share capital of the Company.

The maximum entitlement of each participant under the Scheme would not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

Upon acceptance of the option, the grantee shall duly sign the duplicate of the offer letter together with a remittance in favour of the Company of HK\$1 by way of consideration of the grant within 28 days from the date of the offer letter.

The option price will be determined by the directors, but may not be less than the highest of the closing price of the shares on the GEM of the Stock Exchange on the date of the grant of the option or the average of the closing price of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the option or the nominal value of the shares.

The Scheme shall remain in force for the period of 10 years commencing on the adoption date of the Scheme which is 2nd June, 2000.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee. Such period being not less than 3 years after the date of grant of the option and not more than 10 years after the date of grant of option but such period is subject to the provisions for early termination contained in the terms of the Scheme.

- (i) As at 31st December, 2003, details of share options granted to eligible employees under the Scheme are as follows:

Grantees	Date of grant	Exercise price per share	Number of shares under option	
			As at 1st January, 2003	As at 31st December, 2003
Employees	11th October, 2000	HK\$1.16	6,544,000	Nil

The grantees shall be entitled to exercise the above share options granted according to the following schedule:

Exercise period	Maximum number of shares under option exercisable
11th April, 2001 – 10th October, 2001	10%
11th October, 2001 – 10th April, 2002	30%
11th April, 2002 – 10th October, 2002	60%
11th October, 2002 – 10th October, 2003	The balance of shares under option not previously exercised

- (ii) Movements in share options

	2003 Number	2002 Number
At 1st January	6,544,000	7,536,000
Lapsed	(6,544,000)	(992,000)
At 31st December	<u>–</u>	<u>6,544,000</u>
Options vested at 31st December	<u>–</u>	<u>6,544,000</u>

- (iii) No option was exercised during the year.

21. RESERVES

The Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2002	1,981	(2,794)	(813)
Premium on issue of ordinary shares	18,000	–	18,000
Share issuing expenses	(951)	–	(951)
Loss for the year	–	(1,139)	(1,139)
At 31.12.2002 and 1.1.2003	19,030	(3,933)	15,097
Loss for the year	–	(29,588)	(29,588)
At 31.12.2003	<u>19,030</u>	<u>(33,521)</u>	<u>(14,491)</u>

(a) Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) As at 31st December, 2003, in the opinion of the directors, there was no reserve of the Company available for distribution to the shareholders (2002: HK\$15,097,000).

22. LOAN FROM A DIRECTOR

The loan is interest-free, unsecured and not repayable until the Group is in a position to do so.

23. COMMITMENTS

(a) Operating leases

As at 31st December, 2003, the Group and the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(i) The Group		
Within one year	1,123	2,046
In the second to fifth years inclusive	–	1,656
	<u>1,123</u>	<u>3,702</u>
(ii) The Company		
Within one year	403	484
In the second to fifth years inclusive	–	403
	<u>403</u>	<u>887</u>

Operating lease payments represent rentals payable by the Group and the Company for their office premises. Leases are negotiated for an average term of two years with fixed monthly rentals.

(b) Other than the above, the Group had no material capital and financial commitments.

24. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with subsidiaries of a related company, CL International Holdings Limited (“CLIH”) and a shareholder, Hitachi Limited (“Hitachi”). Two directors, Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard have a family interest of 37.5% in CL Investments Limited which owned approximately 41% of CLIH.

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Consultancy fee income received from a subsidiary of CLIH	<i>(i)</i>	86	72
Service income from a subsidiary of Hitachi	<i>(i)</i>	158	361
Service fee paid to a subsidiary of CLIH	<i>(ii)</i>	<u>966</u>	<u>298</u>

The above transactions were entered into on the following bases:

- (i) a fixed amount with reference to the cost of services rendered; and
- (ii) a certain percentage of the Group’s billings on the relevant services.

The transactions set out above also constituted connected transactions under the GEM Listing Rules. The directors have reviewed the connected transactions and are of the opinion that these transactions were effected on normal commercial terms and in the ordinary course of the business of the Group.

25. SEGMENT REPORTING

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 revenues are generated from customers located in the PRC. Accordingly, no segment information is presented.

26. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Aplus Worldwide Limited, a company incorporated in the British Virgin Islands.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation.

3. UNAUDITED CONSOLIDATED RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2004

The following information is extracted from the unaudited interim report for the six months ended 30 June 2004.

RESULTS

	<i>Note</i>	For the six months ended 30 June 2004 HK\$'000	For the six months ended 30 June 2003 HK\$'000
Turnover	2	9,518	31,526
Cost of sales		<u>(8,541)</u>	<u>(29,849)</u>
Gross profit		977	1,677
Other income	2	3	10
Bad debts		(4,170)	(1,936)
Selling and distribution expenses		(196)	(2,901)
Administrative expenses		<u>(3,352)</u>	<u>(7,382)</u>
Operating loss		(6,738)	(10,532)
Finance costs		(13)	(497)
Amortisation of goodwill		<u>–</u>	<u>(661)</u>
Loss before income tax		(6,751)	(11,690)
Income tax expense	3	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(6,751)</u></u>	<u><u>(11,690)</u></u>
Loss per share			
– Basic (HK cents)	4	<u><u>(2.81)</u></u>	<u><u>(4.87)</u></u>

CONSOLIDATED BALANCE SHEET

		(Unaudited) At 30 June 2004 HK\$'000	(Audited) At 31 December 2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets		69	220
Development costs		1,379	1,896
		<u>1,448</u>	<u>2,116</u>
CURRENT ASSETS			
Inventories		–	308
Debtors, deposits and prepayments	5	5,906	11,075
Cash and bank balances		1,438	8,494
		<u>7,344</u>	<u>19,877</u>
CURRENT LIABILITIES			
Bank overdraft – unsecured		–	42
Secured bank loan		149	115
Creditors, accruals and deposits	6	9,636	18,660
Value-added tax payable		747	178
Income tax payable		1	1
Amounts due to related companies	7	1,602	461
Amounts due to directors	7	1,295	332
		<u>13,430</u>	<u>19,789</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(6,086)</u>	<u>88</u>
		<u>(4,638)</u>	<u>2,204</u>
FINANCED BY:			
Share capital		24,000	24,000
Reserves		<u>(30,522)</u>	<u>(23,771)</u>
Shareholders' funds		(6,522)	229
NON-CURRENT LIABILITIES			
Secured bank loan		–	91
Loan from a connected party	8	1,884	1,884
		<u>(4,638)</u>	<u>2,204</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June 2004 <i>HK\$'000</i>	For the six months ended 30 June 2003 <i>HK\$'000</i>
Net cash used in operating activities	(8,028)	(6,316)
Net cash from/(used in) investing activities	15	(92)
Net cash from financing activities	999	1,731
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(7,014)	(4,677)
Cash and cash equivalents at the beginning of the period	8,452	2,208
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	<u> </u> <u> </u> 1,438	<u> </u> <u> </u> (2,469)
Analysis of cash and cash equivalents:		
Cash and bank balances	1,438	724
Bank overdraft	–	(3,193)
	<u> </u>	<u> </u>
	<u> </u> <u> </u> 1,438	<u> </u> <u> </u> (2,469)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003 (Audited)	24,000	19,030	100	(15,619)	27,511
Loss for the period	–	–	–	(11,690)	(11,690)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2003 (Unaudited)	<u> </u> <u> </u> 24,000	<u> </u> <u> </u> 19,030	<u> </u> <u> </u> 100	<u> </u> <u> </u> (27,309)	<u> </u> <u> </u> 15,821
At 1 January 2004 (Audited)	24,000	19,030	100	(42,901)	229
Loss for the period	–	–	–	(6,751)	(6,751)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2004 (Unaudited)	<u> </u> <u> </u> 24,000	<u> </u> <u> </u> 19,030	<u> </u> <u> </u> 100	<u> </u> <u> </u> (49,652)	<u> </u> <u> </u> (6,522)

NOTES:**1. BASIS OF PREPARATION**

The unaudited consolidated interim accounts (the “Interim Accounts”) have not been audited by the auditors of the Company. The Interim Accounts are prepared in accordance with Statements of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements of the Rules Governing the Listing of Securities (“GEM Listing Rules”) on the GEM of The Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2003.

2. TURNOVER

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:

	For the six months ended 30 June 2004 HK\$'000	For the six months ended 30 June 2003 HK\$'000
Sales of packaged software products and related services	2,017	4,404
System integration	7,178	26,730
Others	323	392
	<hr/>	<hr/>
Turnover	9,518	31,526
Interest income	3	10
	<hr/>	<hr/>
Total revenue	<u>9,521</u>	<u>31,536</u>

3. INCOME TAX EXPENSE

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.

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.

4. LOSS PER SHARE

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

	For the six months ended 30 June 2004 <i>HK\$'000</i>	For the six months ended 30 June 2003 <i>HK\$'000</i>	For the three months ended 30 June 2004 <i>HK\$'000</i>	For the three months ended 30 June 2003 <i>HK\$'000</i>
Loss				
Loss for the period used in the calculation of basic loss per share	<u>(6,751)</u>	<u>(11,690)</u>	<u>(5,161)</u>	<u>(5,849)</u>
Shares				
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>240,000,000</u>	<u>240,000,000</u>	<u>240,000,000</u>	<u>240,000,000</u>

5. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
Trade Debtors	6,407	17,313
Less: Provision for bad debts	<u>1,427</u>	<u>7,775</u>
	4,980	9,538
Other debtors, deposits and prepayments	<u>926</u>	<u>1,537</u>
	<u>5,906</u>	<u>11,075</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.

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
0 – 3 months	–	587
4 – 6 months	20	29
7 – 12 months	1,201	5,591
Over 12 months	<u>5,186</u>	<u>11,106</u>
	<u>6,407</u>	<u>17,313</u>

6. CREDITORS, ACCRUALS AND DEPOSITS

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
Trade creditors	5,230	13,055
Other creditors, accruals and deposits	4,406	5,605
	<u>9,636</u>	<u>18,660</u>

The following is an aging analysis of trade creditors:

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
0 – 6 months	121	839
7 -12 months	960	4,193
Over 12 months	4,149	8,023
	<u>5,230</u>	<u>13,055</u>

7. AMOUNTS DUE TO RELATED COMPANIES AND DIRECTORS

The amounts are interest-free, unsecured and repayable on demand.

8. LOAN FROM A CONNECTED PARTY

The loan is interest-free, unsecured and not repayable until the Group is in a position to do so.

9. SEGMENT INFORMATION

The Group conducted 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 revenues are generated from customers located in the PRC. Accordingly, no segment information is presented.

4. UNAUDITED CONSOLIDATED RESULTS OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

The following information is extracted from the unaudited third quarterly report for the nine months ended 30 September 2004.

	<i>Note</i>	For the nine months ended 30 September	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	17,313	32,718
Cost of sales		(14,807)	(31,758)
Gross profit		2,506	960
Other income		5	15
Bad debts		(6,081)	(1,936)
Selling and distribution expenses		(284)	(3,292)
Administrative expenses		(5,352)	(9,373)
Operating loss		(9,206)	(13,626)
Finance costs		(17)	(530)
Amortisation of goodwill		–	(661)
Loss before income tax		(9,223)	(14,817)
Income tax expense	3	–	–
Loss for the period		<u>(9,223)</u>	<u>(14,817)</u>
Loss per share – Basic (HK cents)	4	<u>(3.84)</u>	<u>(6.17)</u>

Notes:

1. BASIS OF PREPARATION

The consolidated quarterly accounts (the “Quarterly Accounts”) have not been audited by the auditors of the Company. The Quarterly Accounts are prepared in accordance with Statements of Standard Accounting Practice no. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities (“GEM Listing Rules”) on the GEM of The Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2003.

2. TURNOVER

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

3. INCOME TAX EXPENSE

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.

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.

4. LOSS PER SHARE

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

	For the nine months ended 30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the period used in the calculation of basic loss per share	<u>(9,223)</u>	<u>(14,817)</u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>240,000,000</u>	<u>240,000,000</u>

5. MOVEMENT IN RESERVES

	Share premium	Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2003 (Audited)	19,030	100	(15,619)	3,511
Loss for the period	<u>—</u>	<u>—</u>	<u>(14,817)</u>	<u>(14,817)</u>
At 30 September 2003 (Unaudited)	<u>19,030</u>	<u>100</u>	<u>(30,436)</u>	<u>(11,306)</u>
At 1 January 2004 (Audited)	19,030	100	(42,901)	(23,771)
Loss for the period	<u>—</u>	<u>—</u>	<u>(9,223)</u>	<u>(9,223)</u>
At 30 September 2004 (Unaudited)	<u>19,030</u>	<u>100</u>	<u>(52,124)</u>	<u>(32,994)</u>

6. SEGMENT INFORMATION

The Group conducted its business within one business segment which is the provision of IT solutions services to the customers in the PRC. The Group also operates within one geographical segment because most of its revenues are generated from customers located in the PRC. Accordingly, no segment information is presented.

5. FINANCIAL AND TRADING PROSPECTS

For the financial year ended 31 December 2001, the Group recorded a turnover of approximately HK\$121.0 million. Turnover decreased substantially by approximately 43.3% to HK\$68.6 million in the financial year ended 31 December 2002 and further decreased to about HK\$35.4 million in the financial year ended 31 December 2003. For the nine-month period ended 30 September 2004, the Group's turnover was approximately HK\$17.3 million. Following the significant decline in turnover, the Group recorded audited loss of approximately HK\$27.3 million in the financial year ended 31 December 2003. The unaudited loss of the Group was approximately HK\$9.2 million for the nine-month period ended 30 September 2004.

The significant reduction in turnover from 2001 to the nine-month ended 30 September 2004 was largely due to severe competition in the IT industry. In addition, the banking industry in the PRC, which is the Group's main market, scaled back its IT expenditure. The delays in the implementation of structural reforms of the financial industry in the PRC also affected the Group's business.

In view of the severe competition in packaged software products catering to the financial industry, the Group has expanded its two other major lines of businesses, namely IT Services and Supply Chain Solutions, in late 2004.

The Directors envisage that the trend of outsourcing of IT Services among governmental and large commercial institutions will continue to grow. The Group will thus continue to work closely with its business partners to secure outsourcing jobs in the areas such as warranty and maintenance services, manpower secondment, technical hotline support and project roll-outs.

There are increasing number of organizations in China and Hong Kong which are in the process of streamlining and improving their operations. This resulted in the growth in demand for automated data collection hardware as well as distribution and logistics management software and offers good opportunities for the Group's Supply Chain Solutions business. The Group will continue to strengthen its sales and support teams in China and Hong Kong in order to enhance its market share in the distribution, manufacturing and transportation industries.

In addition to the above, the Group, leveraging on its existing core competencies, constantly looks for viable new business opportunities. With the expansion of the Group's scope of business as described above, the Directors are cautiously optimistic that the financial performance of the Group will progressively improve.

6. COMFORT LETTER ON PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE NEGATIVE ASSETS

梁學濂會計師事務所

PKF

26th Floor, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

18 March 2005

The Directors
Comutech Holdings Limited
10th Floor, Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

Dear Sirs,

We report on the pro forma statement of unaudited adjusted consolidated net tangible negative assets (“Proforma Adjusted NTNA”) of Comutech Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on page 71 of the circular dated 18 March 2005 (the “Circular”) issued by the Company in connection with the proposed rights issue of 240,000,000 rights shares at HK\$0.02 per rights share on the basis of one rights share for every one existing shares (the “Rights Issue”). The Proforma Adjusted NTNA has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the financial information of the Group.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Proforma Adjusted NTNA as set out on page 71 to the Circular in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

It is our responsibility to form an opinion, as required by the GEM Listing Rules, on the Proforma Adjusted NTNA and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Proforma Adjusted NTNA beyond that owed to those to whom those reports were addressed by us at the dates of their issues.

BASIS OF OPINION

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the historical financial information with the source documents, considering the evidence supporting the adjustments and discussing the Proforma Adjusted NTNA with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Proforma Adjusted NTNA.

The Proforma Adjusted NTNA has been compiled in accordance with the basis as if the Rights Issue had been completed on 30 June 2004 for illustrative purposes only and because of its nature, it may not give an indicative net tangible negative assets value of the Group as at 30 June 2004 or at any future date.

OPINION

In our opinion:

- a. the Proforma Adjusted NTNA has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Proforma Adjusted NTNA as disclosed pursuant to Rule 7.31 of the GEM Listing Rules.

Yours faithfully,

PKF

Certified Public Accountants

Hong Kong

7. STATEMENT OF PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE NEGATIVE ASSETS OF THE GROUP

The following is an illustration and pro forma net tangible negative assets statement of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed Rights Issue, as if the Rights Issue had been completed on 30 June 2004. This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Rights Issue.

	At 30		
	June 2004	Adjustment	Pro forma
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note 1)</i>	<i>(note 2)</i>	
Net tangible negative assets at 30 June 2004	<u>(7,901)</u>	<u>4,300</u>	<u>(3,601)</u>

Notes:

- The net tangible negative assets of the Group as at 30 June 2004 have been extracted without adjustment from the published interim report of the Group as at 30 June 2004.

	<i>HK\$'000</i>
Net negative assets at 30 June 2004	(6,522)
Less: Development costs	<u>(1,379)</u>
Net tangible negative assets at 30 June 2004	<u><u>(7,901)</u></u>

- Following the completion of the proposed Rights Issue, the estimated net proceeds are approximately HK\$4,300,000 resulting in a decrease in net tangible negative assets of the Group of approximately HK\$4,300,000.

8. STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business of 31 January 2005, the Group had obtained loans from Directors, Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard amounted to approximately HK\$2,256,000. The loans are interest-free, unsecured and not repayable until the Group is in a position to do so.

Contingent liabilities

As at 31 January 2005, the Group did not have any contingent liabilities.

Securities

As at 31 January 2005, the Group had available banking facilities to the extent of approximately HK\$81,000 which are secured by a motor vehicle with net book value of approximately HK\$77,000.

Disclaimers

Save as aforesaid, and apart from intra-Group liabilities, the Group did not have outstanding at the close of business on 31 January 2005, any mortgages, charges, debentures or other loan capital issued or outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, or hire purchase commitments or any guarantees or other contingent liabilities.

9. WORKING CAPITAL

The Directors are of the opinion that, following the Rights Issue, taking into account the present available banking facilities and financial resources of the Group and the estimated net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements.

10. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

No new Shares have been issued by the Company since 31 December 2003, being the end of the last financial year of the Company, and up to the Latest Practicable Date. The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue are as follows:

HK\$

(i) As at the Latest Practicable Date and upon completion of the Rights Shares*Authorised:*

<u>1,000,000,000</u> Shares of HK\$0.01 each	<u>10,000,000</u>
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(ii) As at the Latest Practicable Date*Issued and fully paid:*

<u>240,000,000</u> Shares of HK\$0.01 each	<u>2,400,000</u>
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(iii) Upon Completion of the Rights Issue*Issued and fully paid:*

<u>480,000,000</u> Shares of HK\$0.01 each	<u>4,800,000</u>
--	------------------

All of the Rights Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and with all Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on GEM.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than GEM and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, no other Shares or securities convertible into Shares or warrants or options to subscribe for or derivatives for or derivatives relating to Shares were in issue or outstanding.

3. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THEIR ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors in the securities of the Company and their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity in which such interests were held	Number of Shares	Percentage of nominal value of share capital
Mr. Fung Pak Chuen, Alphonso (“Mr. Fung”) (<i>Note</i>)	Interest of spouse	131,688,000	54.87%
Mr. Lo, Richard (“Mr. Lo”) (<i>Note</i>)	Interest of spouse	131,688,000	54.87%

Note:

Win Plus Group Limited (“Win Plus”) holds 84% interest in the issued share capital of Aplus Worldwide Limited (“Aplus”) and is accordingly taken to have an interest in the 131,688,000 Shares in which Aplus is interested under the SFO.

Gumpton Investments Limited (“Gumpton”), which holds 100% of the issued share capital of Win Plus, is taken to have an interest in the 131,688,000 Shares in which Win Plus is interested under the SFO.

Both Mr. Fung and Mr. Lo are directors of Aplus, Win Plus and Gumpton.

As 50% of the issued share capital of Gumpton is held by AFS Holdings Limited (“AFS”), AFS is taken to have an interest in the 131,688,000 Shares in which Gumpton is interested under the SFO. Mr. Fung is a director of AFS.

AFS is wholly-owned by The General Trust Co. Ltd. (“General Trust”). General Trust is the trustee of AFS Trust, one of the beneficiaries is the spouse of Mr. Fung. Mr. Fung is taken to have an interest in the same 131,688,000 Shares by virtue of his spouse’s interest under the SFO.

Ardian Holdings Limited (“Ardian”) has a 50% interest in the issued share capital of Gumpton and is accordingly taken to have an interest in the 131,688,000 Shares in which Gumpton is interested under the SFO. Mr. Lo is a director of Ardian.

Ardian is wholly-owned by General Trust. General Trust is the trustee of Ardian Trust, one of the beneficiaries is the spouse of Mr. Lo. Mr. Lo is taken to have an interest in the same 131,688,000 Shares by virtue of his spouse’s interest under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company has any interests and short positions in the Shares, equity derivatives, underlying shares and debentures of the Company and their associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

4. SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, persons who have an interest or a short position in the Shares, equity derivatives, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, and as recorded in the Register of Substantial Shareholders’ Interest required to be maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in Shares

Name	Capacity in which such interests were held	Number of Shares	Percentage of nominal value of share capital
Hitachi, Ltd.	Beneficial owner	60,000,000	25.00%
Aplus	Beneficial owner	131,688,000	54.87%
Win Plus (<i>Note 1</i>)	Interest of a controlled corporation	131,688,000	54.87%
Gumpton (<i>Note 2</i>)	Interest of a controlled corporation	131,688,000	54.87%
AFS (<i>Note 3</i>)	Interest of a controlled corporation	131,688,000	54.87%

Name	Capacity in which such interests were held	Number of Shares	Percentage of nominal value of share capital
Ardian (<i>Note 3</i>)	Interest of a controlled corporation	131,688,000	54.87%
General Trust (<i>Note 4</i>)	Interest of a controlled corporation	131,688,000	54.87%
Mrs. Fung, Pui Lan, Angela (<i>Note 5</i>)	Beneficiary of trust	131,688,000	54.87%
Mrs. Lo, Lilian (<i>Note 6</i>)	Beneficiary of trust	131,688,000	54.87%

Notes:

1. Win Plus holds 84% interest in the issued share capital of Aplus and is accordingly taken to have an interest in the 131,688,000 Shares in which Aplus is interested under the SFO.
2. Gumpton, which holds 100% of the issued share capital of Win Plus, is taken to have an interest in the 131,688,000 Shares in which Win Plus is interested under the SFO.
3. Gumpton is owned as to 50% by AFS and 50% by Ardian. Accordingly, AFS and Ardian are each taken to have an interest in the 131,688,000 Shares in which Gumpton is interested under the SFO.
4. AFS and Ardian are in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 131,688,000 Shares in which AFS and Ardian are interested under the SFO.
5. General Trust is the trustee of AFS Trust. Being a beneficiary of AFS Trust, Mrs. Fung, Pui Lan, Angela, being the spouse of Mr. Fung, is taken to have an interest in the 131,688,000 Shares in which General Trust is interested under the SFO.
6. General Trust is also the trustee of Ardian Trust. Mrs. Lo, Lilian, being the spouse of Mr. Lo, is one of the beneficiaries of Ardian Trust and therefore is taken to have an interest in the 131,688,000 Shares in which General Trust is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director, no other persons had an interest or a short position in the Shares, equity derivatives, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. SERVICE CONTRACTS

None of the Directors has entered into any service agreements with any member of the Group which is not determinable by the employers within one year without payment of compensation other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or managements Shareholders (as defined in the GEM Listing Rules) or any of their respective associates had any business or interest that directly or indirectly competes or may compete with the business of the Group or had or might have any other conflict of interest.

8. GENERAL

- (i) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, British West Indies.
- (ii) The principal place of business of the Company in Hong Kong is at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The company secretary and qualified accountant of the Company appointed under Rule 5.15 of the GEM Listing Rules is Mr. Yip Yuk Sing, Wallace. He is an associate member of both Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (v) The compliance officer of the Company is Mr. Fung Pak Chuen, Alphonso.
- (vi) The Company has established an audit committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising Mr. Lee Sai Yeung and Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson.
- (vii) The legal adviser of the Company is Li, Wong & Lam at Unit 2602, 26th Floor, Tower One, Lippo Centre Centre, 89 Queensway, Hong Kong.
- (viii) The auditors of the Company are PKF, certified public accountants at 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.
- (ix) The principal banker of the Company is UFJ Bank Limited at Fairmount House, 8 Cotton Tree Drive, Central, Hong Kong.
- (x) The authorised representatives of the Company are Mr. Fung Pak Chuen, Alphonso and Mr. Yip Yuk Sing, Wallace.

- (xi) The authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$2,400,000 divided into 240,000,000 Shares of HK\$0.01 each.
- (xii) None of the Directors nor expert referred to in paragraph 10 has, or has had, any direct or indirect interest in any assets which have been or proposed to be acquired, disposed of or leased to any member of the Group since 31 December 2003, the date to which the latest published audited financial statements of the Group were made up.
- (xiii) Save for the Underwriting Agreement and the agreement dated 28 July 2004 entered into between the Company and CL International Holdings Limited in respect of certain purchase transactions and provision of services as disclosed in the circulars of the Company dated 18 August 2004 and 16 September 2004, there is no contract or arrangement entered into by any member of the Group subsisting in which any of the Directors is materially interested in and which is significant in relation to the business of the Group as a whole.
- (xiv) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2003 (the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to any member of the Group.

9. PARTICULARS OF DIRECTORS

Name	Address
Fung Pak Chuen, Alphonso	10th Floor, Westland Centre 20 Westlands Road, Quarry Bay Hong Kong
Lo, Richard	10th Floor, Westland Centre 20 Westlands Road, Quarry Bay Hong Kong
Toshio Sugii	Hitachi Omori 2nd Bldg. 27-18, Minami Oi 6-chome Shinagawa-ku Tokyo Japan
Lee Sai Yeung	Block 2, 24B Clovelly Court 12 May Road Hong Kong
Chung Kong Fei, Stephen	21/F, Flat C 177-179 Wanchai Road Hong Kong
Ng Chik Sum, Jackson	Berth One Kwai Chung Hong Kong

Executive Directors

FUNG Pak Chuen, Alphonso, aged 54, is the Chairman of the Company. He was appointed as non-executive Director of the Company in March 2000 and re-designated as Executive Director on 13th February, 2004. Mr. Fung is responsible for the overall strategic planning and development of the Group. He has substantial experience in business planning and development in information technology industry. Prior to his own business development in 1979, he worked at IBM in Hong Kong and International Computer Limited in the United Kingdom. Mr. Fung graduated from the University of London with a master degree in Computer Science.

LO, Richard, aged 53, is an Executive Director of the Company. He was appointed as non-executive Director of the Company in March 2000 and re-designated as Executive Director on 13th February, 2004. Mr. Lo is responsible for corporate strategy of the Group. Prior to his own business development in 1979, he worked in marketing department of IBM in Hong Kong. Mr. Lo holds a bachelor degree in Mathematics from Syracuse University, New York and a master degree in Business Administration from the University of California at Los Angeles.

Non-executive Director

SUGII Toshio aged 56, is a non-executive Director of the Company. Mr. Sugii has over 20 years' experience in computer business, is currently a senior Project Manager, Information and Telecommunication Systems of Hitachi, Limited.

Independent non-executive Directors

LEE Sai Yeung, aged 53, was the executive director of several companies listed on the Stock Exchange from 1996 to 1998. Mr. Lee obtained both his master and bachelor degrees in business administration (with honours) from the University of Texas at Austin. He has more than 16 years' experience in the securities business and extensive experience in corporate finance and investment banking. From 1981 to 1998, Mr. Lee had been registered as a dealing director, investment adviser and held position as senior executive in several major regional and European securities firms in Hong Kong. He was appointed as an independent non-executive Director in June 2000.

CHUNG Kong Fei, Stephen, aged 48, holds a bachelor of science degree from the Wharton School of Business, University of Pennsylvania, U.S.A.. Mr. Chung has over 20 years of experience in investment and business management. He is one of the founders and executive directors of SDM Dental Inc., an investment holding company which operates 5 dental clinics in PRC, currently the clinic chain is the second largest of its kind in China. During 1997, Mr. Chung was an executive director of Qualipak International Holdings Limited, a manufacturer of packaging materials, whose shares are listed on the Stock Exchange of Hong Kong Limited. From 1987 to 1996, he was the deputy managing director of Lam Soon (HK) Limited. From 1980 to 1987, Mr. Chung was the Head of China Division for Manufacturers Hanover Trust Company. Mr. Chung is currently an independent non-executive director of Unity Investments Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited.

NG Chik Sum, Jackson, aged 44, is a fellow member both of the Hong Kong Institute of Certified Public Accountants and Chartered Association of Certified Accountants with Master of Science degree in Finance and Master degree in Business Administration. Mr. Ng has extensive experience in accounting and financial management. He is currently the Chief Financial Officer of Modern Terminals Limited. Mr. Ng previously worked with Coopers and Lybrand and he also served as Group Financial Controller with Lam Soon Group, Finance Director of East Asia of Allergan Inc., a U.S. pharmaceutical company, and Director of Tradelink Electronic Commerce Limited, the sole provider of e-trade declaration platform in Hong Kong. Mr. Ng has not held any directorship in other listed companies in the last three years.

10. QUALIFICATION AND CONSENT OF EXPERT

Each of KGI and PKF has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice as contained in this circular is as follows:

Name	Qualification
KGI	A deemed licensed corporation under the SFO and engaged in types 1, 4 and 6 regulated activities.
PKF	Certified Public Accountants

KGI is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

PKF is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

Each of KGI and PKF did not have any direct interests in any assets which has been, since 31 December 2003 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACT

- a. the Underwriting Agreement

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) that have been entered into by any member of the Group within the two years immediately preceding the date of this circular which are or may be material.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours up to and including 6 April 2005 at the principal place of business of the Company at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years end 31 December 2003;

- (c) the unaudited interim report of the Company for the six-month period ended 30 June 2004 and the unaudited third quarterly report of the Company for the nine-month period ended 30 September 2004;
- (d) the comfort letter issued by PKF on pro forma statement of unaudited consolidated net tangible assets of the Group, the text of which is set out on page 69 to 70 in this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders;
- (f) the letter of advice from KGI to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 31 in this circular;
- (g) the written consents referred to in paragraph headed “Qualification and Consent of Expert” of this appendix;
- (h) Circulars of the Company dated 18 August 2004 and 16 September 2004 relating to ongoing transactions of the Group, being its purchases of inventories from CL International Holdings Limited and its subsidiaries (collectively “CLIH Group”) and its provision of technical services to certain existing customers of the CLIH Group, and the amendments to the articles and association of the Company; and
- (i) the material contract referred to in the paragraph headed “Material Contracts” in this appendix.

13. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text.



Computech Holdings Limited
駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8081)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“meeting”) of the Company will be held at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong at 10:00 a.m. on Wednesday, 6 April 2005 for the purpose of considering and, if thought fit, approving with or without modification, the following resolutions:

Ordinary Resolutions

1. **“That** subject to and conditional upon: (i) the Listing Committee of the Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Rights Shares (as defined in the Circular (as defined below)) in both nil-paid and fully-paid forms; (ii) the filing and registration of all documents relating to the Rights Issue (as defined in the Circular), which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Cap. 32 of the laws of Hong Kong) no later than the Posting Date (as defined in the Circular); and (iii) the obligations of Aplus Worldwide Limited (“Aplus” or “Underwriter”) under the Underwriting Agreement (as defined in the Circular) becoming unconditional and not being terminated in accordance with the terms of that agreement:
 - (a) the issue by way of Rights Issue of 240,000,000 Rights Shares at a price of HK\$0.02 per Rights Share payable in full on acceptance on the basis of one Rights Share for every one existing Share (as defined in the Circular) held by the Qualifying Shareholders (as defined in the Circular) on the Record Date (as defined in the Circular) and otherwise on the terms and conditions set out in a circular dated 18 March 2005 (“Circular”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved;
 - (b) the directors of the Company (“Directors”) be and are hereby authorized to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that, the Rights Shares shall not be available to the Non-Qualifying Shareholders (as defined in the Circular) but shall be aggregated and issued to a nominee to be named by the Company and such Rights Shares shall be sold in the market as soon as practicable after dealings in Rights Shares in their nil-paid form commence and the

* for identification purpose only

NOTICE OF THE EGM

proceeds of such sale (after deduction of expenses) of more than HK\$100 will be paid to the Non-Qualifying Shareholders and the Company shall retain any individual amount of HK\$100 or less ; and

- (c) the Directors be and are hereby authorized to make such other exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangements as they may think fit to effect the Rights Issue.”

- 2. **“THAT** subject to the completion of the Rights Issue referred to in ordinary resolution numbered 1 as set out in the notice convening this meeting, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional Shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which would or might require Shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where Shares are offered to Shareholders (as defined in the Circular) on a fixed record date in proportion to their then holdings of Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on Shares of the Company in accordance with the articles of association of the Company; or (c) a specific authority granted by the Shareholders of the Company in general meeting, the additional Shares allotted, issued or dealt with (including Shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this ordinary resolution as enlarged by the issue of the Rights Shares and the said approval shall be limited accordingly.

For the purpose of this ordinary resolution, “Relevant Period” means the period from the passing of this ordinary resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Company’s articles of association to be held; and

NOTICE OF THE EGM

- (iii) the revocation or variation of the authority given under this ordinary resolution by an ordinary resolution of the Shareholders in general meeting.”

By order of the Board
Computech Holdings Limited
Fung Pak Chuen, Alphonso
Chairman

Hong Kong, 18 March 2005

As at the date of this notice, 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. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson.

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head office and principal place of business:

10th Floor, Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of such member. A member who is the holder of two or more Shares may appoint more than one proxy to represent and vote on his behalf in the meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the principal place of business of the Company at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.