



Computech Holdings Limited

駿科網絡訊息有限公司

(incorporated in the Cayman Islands with limited liability)

QUARTERLY REPORT

2000

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

This announcement, for which the directors of Computech Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Computech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this quarterly report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this quarterly report misleading; and (3) all opinions expressed in this quarterly report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover was approximately HK\$24,446,000 for the nine months ended 30 September 2000.
- Net profit attributable to shareholders for the nine months ended 30 September 2000 was approximately HK\$134,000 with earnings per share of HK\$ 0.08 cents.
- The Company entered into a shareholders' agreement with NeTrue, HCA, Telhope and Starie for the establishment of a joint venture company under the corporate name World Master Resources Limited on 18 September 2000.

RESULTS

The Board of Directors ("Board") of Computech Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the period from 29 March 2000 (date of incorporation of the Company) to 30 September 2000 together with the comparative unaudited pro forma combined third quarter results as follows:

	Notes	Pro forma combined (Note 1)				
		Consolidated for the period from 29 March 2000 to 30 September 2000 HK\$'000	For the nine months ended 30 September 2000 HK\$'000	For the nine months ended 30 September 1999 HK\$'000	For the period from 1 July 2000 to 30 September 2000 HK\$'000	For the period from 1 July 1999 to 30 September 1999 HK\$'000
Turnover	2	12,653	24,446	43,507	4,206	10,466
Cost of sales		(8,900)	(15,830)	(31,832)	(2,337)	(6,699)
Gross profit		3,753	8,616	11,675	1,869	3,767
Other income		200	409	121	194	9
Selling and distribution expenses		(367)	(581)	(1,432)	(365)	(1,192)
Administrative expenses		(3,118)	(8,152)	(12,378)	(2,185)	(4,496)

Pro forma combined (Note 1)

	Consolidated for the period from 29 March 2000 to 30 September 2000	Pro forma combined (Note 1)			
		For the nine months ended 30 September 2000	For the nine months ended 30 September 1999	For the period from 1 July 2000 to 30 September 2000	For the period from 1 July 1999 to 30 September 1999
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating profit / (loss)	468	292	(2,014)	(487)	(1,912)
Finance costs	(94)	(158)	(337)	(27)	(97)
Profit / (loss) before taxation	374	134	(2,351)	(514)	(2,009)
Taxation	3				
— Hong Kong	—	—	(20)	—	(6)
— PRC	—	—	—	—	—
Profit / (loss) for the period	<u>374</u>	<u>134</u>	<u>(2,371)</u>	<u>(514)</u>	<u>(2,015)</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings / (loss) per share - Basic	4				
	<u>HK0.30cents</u>	<u>HK0.08cents</u>	<u>HK(1.69)cents</u>	<u>HK\$(0.26)cents</u>	<u>HK\$(1.44)cents</u>

Notes:

1. Group reorganisation and bases of presentation of income statements

The Company was incorporated in the Cayman Islands on 29 March 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of its shares in June 2000 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 3 June 2000. The shares of the Company were listed on GEM on 19 June 2000.

The Group's income statements are presented using the following bases:

- The consolidated income statement includes the results of the Company for the period from 29 March 2000 (date of incorporation of the Company) to 30 September 2000 and the post-acquisition results of its subsidiaries for the period from 3 June 2000 (date of completion of the Reorganisation) to 30 September 2000 in accordance with the new Hong Kong Statement of Standard Accounting Practice 27 "Accounting for group reconstructions".

- ii. For information purposes, the pro forma combined income statements for the periods presented include the results of the Company and its subsidiaries with effect from 1 January 1999 or since their respective dates of incorporation / establishment, where this is a shorter period, on a combined basis as if the current Group structure had been in existence throughout the periods presented.

Although the reorganised Group structure did not legally exist until 3 June 2000, the Directors consider that it is appropriate to present pro forma combined income statements on the bases as set out above since the principal activities of the Group have been carried out by those subsidiaries prior to and after the completion of the Reorganisation.

- iii. All significant intra-group transactions have been eliminated in preparing the combined income statements.

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

3. Taxation

- i. Except for the nine months ended 30 September 1999, no provision for Hong Kong profits tax has been made in these income statements as the Group has no assessable profits after offset with available tax losses. Hong Kong profits tax has been provided at the rate of 16% on the assessable profits arising in Hong Kong for the nine months ended 30 September 1999.
- ii. The Company's PRC subsidiary is under the Income Tax Law of the PRC for Foreign Investment Enterprises and other relevant regulations, entitled to an income tax holiday for two years from the first profit making year of 1996 and a 50% reduction in income tax for the following six years.
- iii. Net deferred tax asset has not been recognised owing to uncertainty regarding the Group's future operating results.

4. Earnings / (loss) per share

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

	Pro forma combined				
	Consolidated for the period from 29 March 2000 to 30 September 2000 HK\$'000	For the nine months ended 30 September 2000 HK\$'000	For the nine months ended 30 September 1999 HK\$'000	For the period from 1 July 2000 to 30 September 2000 HK\$'000	For the period from 1 July 1999 to 30 September 1999 HK\$'000
Earnings / (loss)					
Profit/(loss) for the period used in the calculation of basic earnings/(loss) per share	374	134	(2,371)	(514)	(2,015)
Shares					
Weighted average number of shares in issue for the purpose of calculation of basic earnings/(loss) per share	125,161,340	163,649,635	140,000,000	200,000,000	140,000,000

The number of shares used in the calculation of the consolidated earnings per share for the period from 29 March 2000 to 30 September 2000 is the weighted average of the 1 share issued on the incorporation of the Company on 29 March 2000, 999,999 shares issued as the consideration for the acquisition of the entire share capital of the subsidiaries upon completion of the Reorganisation on 3 June 2000 and adjusting for the capitalisation issue of 139,000,000 shares as referred to in the prospectus of the Company dated 9 June 2000 and 60,000,000 shares issued during the public listing on 15 June 2000.

The number of shares used in the calculation of the pro forma earnings/(loss) per share for the periods presented for 2000 is the weighted average of 140,000,000 shares assumed to be in issue on 1 January 1999 and 60,000,000 shares issued during the public listing on 15 June 2000.

The weighted average number of shares used in the calculation of the pro forma earnings/(loss) per share for the periods presented for 1999 is based on the assumption that 140,000,000 shares had been in issue on 1 January 1999.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2000 (1999: Nil).

BUSINESS REVIEW AND PROSPECT

General

The Group achieved solid results for the nine months of the financial year 2000, generating profit of HK\$134,000 out of total revenues of HK\$24.5 million for the nine months ended 30 September 2000. The pro forma combined earnings per share for the nine months ended 30 September 2000 was HK0.08 cents.

Comparing to the same period last year, the profit before taxation was up by 105.7% and the gross profit margin was up from 26.8% to 35.3%.

The Group's existing packaged software products have become well proven and mature, with revenue from this sector expected to increase in the next few years. The total turnover for 1999 was HK\$44 million. However, if we exclude the two largest hardware orders, namely Ministry of Railway tendering projects, the revenue generated from packaged software would have been only HK\$23 million. But in the year 2000 almost all of the revenue will be generated from this sector. In this respect, the Board is very positive about the prospect of the Group.

Research and development is on-going and is in line with the planned schedule. The Directors expect that 2 new products, namely CorpBank 2000 and E-Switch, will be completed and be available for sales by the end of this year.

Potential

Existing business

The Group was recently named as one of the preferred suppliers to the Rural Cooperative Credit Bank of China (the "RCCB"). The evaluation and the process of developing the shortlist were coordinated by the People's Bank of China in Beijing. The Group is selected to be one of the 6 suppliers to provide Banking 2000 solution to the RCCBs nationwide. An agreement was signed with RCCB on 22 June 2000. Under this agreement, the branches of RCCB will select these 6 shortlist suppliers as their software providers. There are about 50,000 branches of RCCB nationwide and most of them demand for computerisation. RCCB is second to Industrial and Commercial Bank of China in terms of saving deposit in the PRC. The Directors believe that the breakthrough in the RCCB will contribute tremendous opportunity to the Group for the sale of the Group's products.

The Group opened a branch office in Shanghai in August 2000 to accommodate the rapid expansion of the Group's business and to cope with the growing demand of IT services in the PRC.

Collaboration

The Group entered into a shareholders' agreement with NeTrue, HCA, Telhope and Starie for the establishment of a joint venture company under the corporate name World Master Resources Limited on 18 September 2000. The new joint venture company will provide digital/video broadband satellite telecommunication services in the Greater China and Asia region, details of which have already been disclosed in the Company's announcement dated 18 September 2000.

World Trade Organisation issues

The PRC's entry into World Trade Organisation ("WTO") will gradually open up opportunities in the market, in particularly in the financial industry. Foreign institutions attempting to establish presence in the PRC will create additional sources of demand for IT services. When encountering foreign competition, local financial institutions in the PRC will require more efficient, comprehensive and sophisticated IT services. The Group considers that, with its solid track record and visionary strategic planning, it is well positioned to rise to the challenges ahead.

Outlook

In the remaining of the year 2000, the Group will follow its business objectives to develop and expand its existing businesses. The Directors will continue to invest in research and development efforts to maintain its technological advantages. The Group will also focus its efforts on providing a wider range of software products to its banking customers and on expanding its market presence in the PRC.

The Directors believe that the Group is well positioned to benefit from the continuous development of the banking industry in the PRC. In the long run, as PRC becomes a member of the WTO and as foreign competition opens up, local financial institutions in the PRC will require more efficient, comprehensive and sophisticated IT services. This in turn will create tremendous opportunities for the Group.

The directors believe that the services business will become more and more active in the PRC. We will focus on selling consultancy and implementation services to the customers. At present, the Company is under negotiation with BMC Software ("BMC"), a USA based software provider, in respect of a strategic alliance agreement to build control centres for the banks in the PRC. Under

this strategic partnership, the Company will not only sell BMC products but also provide services to customers, linking up the different computer operating platforms and environment into a centralised decision support and monitoring centre. Up to the date of this announcement, no agreement has been signed yet. The Company is also looking for data warehousing solutions for PRC customers.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2000, according to the register to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of directors, and their associates in shares of the Company were as follows:

Name	Type of interest	Number of shares
Mr. Lee Man Lung, Vincent (<i>Note 1</i>)	Corporate	55,860,000 shares
Mr. Fung Pak Chuen, Alphonso	Family	55,860,000 shares
Mr. Richard Lo	Family	55,860,000 shares
Mr. Yip Tai Chee, Alick	Personal	14,000,000 shares
Mr. Tang Chi Lap	Personal	7,280,000 shares
Mr. Cheung Tung	Personal	7,000,000 shares

Note:

1. Mr. Lee Man Lung, Vincent is interested in 100% of the issued share capital of Brilliant Time Limited. Mr. Lee Man Lung, Vincent is taken to have an interest in the 55,860,000 shares held by Brilliant Time Limited.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the Group, at 30 September 2000, none of the directors or their associates had any interests in any securities of the Company or any associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 September 2000, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of directors and their associates, at 30 September 2000, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons were interested in 10 percent or more of the issued share capital of the Company:

Name	Number of shares	Percentage of issued share capital
Anstalt Pacific Techvest Inc. (Note 1)	55,860,000	27.93%
CL Investments Limited (Note 2)	55,860,000	27.93%
CL Strategic Holdings Limited (Note 3)	55,860,000	27.93%
Brilliant Time Limited (Note 4)	55,860,000	27.93%

Notes:

1. Anstalt Pacific Techvest Inc. is beneficially and wholly-owned by Lam Soon (Hong Kong) Limited, the shares of which are listed on the Main Board. Anstalt Pacific Techvest Inc. has a 50% interest in the issued share capital of CL Strategic Holdings Limited and is accordingly taken to have an interest in the shares in which CL Strategic Holdings Limited is interested in.
2. CL Investments Limited is deemed to be owned as to 37.5% by Mr. Fung Pak Chuen, Alphonso and as to 37.5% by Mr. Richard Lo, and is beneficially owned as to 20% by Mr. Chan Kin Wah, Charles and as to 5% by Mr. Wong Siu Sik, Alex. Both Mr. Chan Kin Wah, Charles and Mr. Wong Siu Sik, Alex are independent third parties not connected with the Company, any of its subsidiaries, the directors, chief executives, substantial shareholders and management shareholders of the Company or any of its subsidiaries or any of their respective associates.
3. CL Strategic Holdings Limited is owned as to 50% by Anstalt Pacific Techvest Inc. and 50% by CL Investments Limited.
4. Brilliant Time Limited is beneficially and wholly-owned by Mr. Lee Man Lung, Vincent.

SHARE OPTION SCHEME

On 11 October, 2000, options comprising a total of 7,824,000 underlying shares were granted to employees of the Group at an exercise price of HK\$1.16 per share and expiring on 10 October, 2002. These shares represent approximately 3.91% of the issued share capital of the Group at the date hereof. Save as disclosed herein, no option has been granted, exercised or cancelled during the period from 2 June 2000 (adoption date of the share option scheme) to 30 September 2000.

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

During the period from 19 June 2000 (date of listing) to 30 September 2000, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

INTEREST OF SPONSOR

The Sponsor of the Company, Vickers Ballas Capital Limited, its directors, employees and associates, at 30 September 2000, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Vickers Ballas Capital Limited has entered into a sponsorship agreement with the Company whereby, for a fee, Vickers Ballas Capital Limited will act as the Company's continuing sponsor for the period from 16 June 2000 to 31 December 2002.

COMPETING INTERESTS

As at 30 September 2000, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

By order of the Board
Lee Man Lung, Vincent
Director

Hong Kong, 10 November 2000