



**Computech Holdings Limited**

**駿科網絡訊息有限公司**

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

**Quarterly Report**

**2001**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the 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.**

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

## HIGHLIGHTS

- Turnover was approximately HK\$12,603,000 for the three months ended 31 March 2001.
- Net loss attributable to shareholders for the three months ended 31 March 2001 was approximately HK\$1,456,000 with loss per share of HK0.73 cents.

## RESULTS

The board (the "Board") of directors (the "Directors") of Computech Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2001 together with the comparative unaudited pro forma figures for the corresponding period in 2000 as follows:

		<b>Consolidated for the three months ended 31 March 2001</b>	<b>Pro forma combined for the three months ended 31 March 2000</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	12,603	13,584
Cost of sales		<u>(8,933)</u>	<u>(8,623)</u>
Gross profit		3,670	4,961
Other income		84	137
Selling and distribution expenses		(305)	(44)
Administrative expenses		<u>(4,424)</u>	<u>(2,841)</u>
Operating (loss)/profit		(975)	2,212
Finance costs		(85)	(61)
Amortization of goodwill		<u>(397)</u>	<u>—</u>
(Loss) / profit before taxation		(1,457)	2,151
Taxation	3		
- Hong Kong		—	—
- PRC		<u>—</u>	<u>—</u>
(Loss) / profit for the period		<u>(1,457)</u>	<u>2,151</u>
Dividends		<u>—</u>	<u>—</u>
(Loss) / earnings per share - Basic	4	<u>HK(0.73)cents</u>	<u>HK1.54cents</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 results are presented using the following bases:

- i. The unaudited consolidated income statement includes the results of the Company and its subsidiaries for the three months ended 31 March 2001.
- ii. For information purposes, the unaudited pro forma combined income statement includes the results of the Company and its subsidiaries with effect from 1 January 2000 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 three months ended 31 March 2000.

Although the reorganised Group structure did not legally exist until 3 June 2000, the Directors consider that it is appropriate to present unaudited pro forma combined income statement for the three months ended 31 March 2000 on the bases as set out in (ii) above since the principal activities of the Group have been carried out by those subsidiaries prior to and after the completion of the Reorganisation.

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

3. Taxation

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

#### 4. (Loss) / earnings per share

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

	<b>Consolidated for the three months ended 31 March 2001</b>	<b>Pro forma combined for the three months ended 31 March 2000</b>
<i>(Loss) / earnings</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) / profit for the period used in the calculation of basic (loss)/ earnings per share	<u><u>(1,457)</u></u>	<u><u>2,151</u></u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic (loss) / earnings per share	<u><u>200,000,000</u></u>	<u><u>140,000,000</u></u>

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2001 (2000: Nil).

### **BUSINESS REVIEW AND PROSPECT**

#### **General**

The Group recorded a turnover of approximately HK\$12,603,000 (2000: HK\$13,584,000) representing approximately a 7% decrease. The unaudited consolidated loss attributable to shareholders for the three months ended 31 March 2001 was approximately HK\$1,457,000 representing approximately a 168% decrease as compared with 2000. The consolidated loss per share for the three months ended 31 March 2001 was HK 0.73 cents.

As disclosed in the annual report, integration services and packaged software products still remain the main sources of revenue. The Group currently still focuses on commercial banks as major customers but has started to look for diversification into other sectors such as insurance.

## **Recent Development**

Following the entry of the PRC into the World Trade Organization, it is expected that the foreign exchange market will be opened up. In this regard, the Group expects to put strong emphasis in the research and development area on foreign exchange market.

In addition, the Directors believe that in order to remain competitive in the banking sector, the quality of decision and information support system in the PRC needs to be improved. Thus the Group will put efforts in credit management system. Currently, the Group is developing a decision support system. This decision support system is the new generation of E-INFO, which will be presented as a web based management information system and will use Delphi software tools to write. Through this decision support system, the senior management of banks can access the customer database through the Internet and perform control processes.

A memorandum of understanding was signed on 5 January 2001 between Computech Systems (Asia) Limited, a wholly owned subsidiary of the Company, and eNi Cyber-Place Company ("eNi") to form a joint venture ("Joint Venture"), details of which have already been disclosed in the annual report 2000 of the Company dated 22 March 2001. Negotiations have now reached a very advanced stage. No agreement has been signed yet, however, barring unforeseeable circumstances, the Directors expect that a joint venture agreement could be entered into before the end of the second quarter this year.

The Joint Venture will be owned as to 85% and 15%, by eNi and Computech Systems (Asia) Limited respectively. The objective of the Joint Venture is to develop and market electronic payment solutions and services to banks, electronic merchants and Internet users in the territory of the PRC. Through the Joint Venture, the payment and settlement systems, areas in which the Group is putting emphasis on research, will be complemented.

## **Prospects**

The Group believes that the development of e-commerce involves two major aspects of implementation. One is the payment settlement, and the other is security. In this regard, the Group will put efforts in focusing on these two areas. Recently, the Group has been in the process of applying the patent on Universal Serial Bus compliant key for the security aspect for the Internet settlement system.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2001, 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:

<b>Name</b>	<b>Type of interest</b>	<b>Number of shares</b>
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

*Note:*

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

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the Group, as at 31 March 2001, none of the directors or their associates had any interests in any securities of the Company or any associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March 2001, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of directors and their associates, as at 31 March 2001, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons were interested in 10 percent or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of issued share capital</b>
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 31 March 2001.



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

As at 31 March 2001, 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, as at 31 March 2001, 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 31 March 2001, 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**  
*Chairman*

Hong Kong, 14 May 2001