



**Computech Holdings Limited**

**駿科網絡訊息有限公司**

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

**Quarterly Report**

**2002**

## **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 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.**

*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 quarterly 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\$68,073,000 for the nine months ended 30 September 2002.
- Net loss attributable to shareholders for the nine months ended 30 September 2002 was approximately HK\$2,169,000 with loss per share of approximately HK0.92 cents.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2002.

## 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 nine months ended 30 September 2002 and the three months ended 30 September 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		For the nine months ended 30 September 2002	For the nine months ended 30 September 2001	For the three months ended 30 September 2002	For the three months ended 30 September 2001
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	68,073	74,222	10,659	27,653
Cost of sales		(49,220)	(52,990)	(7,714)	(20,525)
Gross profit		18,853	21,232	2,945	7,128
Other income		107	201	—	44
Selling and distribution expenses		(866)	(1,272)	(325)	(440)
Administrative expenses		(16,476)	(13,868)	(4,965)	(4,610)
Operating profit/(loss)		1,618	6,293	(2,345)	2,122
Finance costs		(255)	(364)	(46)	(70)
Amortization of goodwill		(1,190)	(1,190)	(397)	(397)
Impairment loss of investment securities		(2,342)	—	(2,342)	—
(Loss)/profit before taxation		(2,169)	4,739	(5,130)	1,655
Taxation	3	—	—	—	—
-Hong Kong		—	—	—	—
-PRC		—	—	—	—
(Loss)/profit for the period		(2,169)	4,739	(5,130)	1,655
Dividends		—	—	—	—
(Loss)/earnings per share					
- Basic	4	HK(0.92)cents	HK2.37cents	HK(2.14)cents	HK0.83cents

*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 unaudited consolidated income statements include the results of the Company and its subsidiaries for the nine months ended 30 September 2002 and the three months ended 30 September 2002.

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:

	For the nine months ended 30 September 2002	For the nine months ended 30 September 2001	For the three months ended 30 September 2002	For the three months ended 30 September 2001
(Loss)/earnings	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period used in the calculation of basic (loss)/earnings per share	(2,169)	4,739	(5,130)	1,655
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Shares</i>				
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	236,776,557	200,000,000	240,000,000	200,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

5. Movements of reserves

	<b>Share premium</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2001 (Audited)	1,981	(14)	681	2,648
Exchange difference arising from translation of financial statements of a PRC subsidiary	—	(217)	—	(217)
Net profit for the six months ended 30 June 2001	—	—	3,084	3,084
At 30 June 2001 (unaudited)	1,981	(231)	3,765	5,515
Net profit for the three months ended 30 September 2001	—	—	1,655	1,655
At 30 September 2001 (Unaudited)	<u>1,981</u>	<u>(231)</u>	<u>5,420</u>	<u>7,170</u>
At 1 January 2002 (Audited)	1,981	100	5,233	7,314
Premium on issuing new shares	18,000	—	—	18,000
Issuing expenses for share placing	(944)	—	—	(944)
Net profit for the six months ended 30 June 2002	—	—	2,961	2,961
At 30 June 2002 (Unaudited)	19,037	100	8,194	27,331
Net loss for the three months ended 30 September 2002	—	—	(5,130)	(5,130)
At 30 September 2002 (Unaudited)	<u>19,037</u>	<u>100</u>	<u>3,064</u>	<u>22,201</u>

6. Segment information

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2002 (2001: Nil).

## **BUSINESS REVIEW AND PROSPECT**

### **General**

The Group recorded a turnover of approximately HK\$68,073,000 (2001:HK\$74,222,000) representing a decrease of approximately 8.3%. The unaudited consolidated loss attributable to shareholders for the nine months ended 30 September 2002 was approximately HK\$2,169,000 (2001: a profit of HK\$4,739,000) representing a decrease of approximately 146% as compared with 2001. The loss per share for the nine months ended 30 September 2002 was HK0.92 cents (2001: earning per share of HK2.37 cents).

The widening in losses was mainly attributable to two aspects. Firstly, due to the commencement of the China Sixteenth Peoples' Congress, which was held in early-mid November 2002, most of the our customers have held up their orders in anticipating of any new announcement on national policy that will affect the banking sector. The management expected that such delay in orders placement would also affect the fourth quarter result. Secondly, the Group made a full provision for impairment loss of the investment securities for the sake of prudence which also adversely affect the results of the Group.

### **Recent Development**

#### *New products*

As mentioned in the interim report, two new products, VIP banking system and F-BAS, will be launched this year and early next year.

The VIP banking system has been launched into the market in early November 2002. The system is co-developed with Shanghai Jiao Tong University. It provides investment portfolio study to the bank's VIP customers for their reference. By means of customers' behavior, investment habit as well as age group, the system will suggest the most optimal option to VIP customers for their short-term or long-term investment. Intensive marketing works have been done and the management expected sales revenue would be generated in the fourth quarter.

Concerning the F-BAS, research and development works have reached the final status. The management expected the product to be launched into the market on schedule early next year. F-BAS provides analytical tools for the bank management to access their financial status down to the branch level. It is a web-enabled application software that supports Internet and Intranet connection. Using the data-warehousing technology, it provides direct, interactive access to the database. It can assist banker to review their financial status from multi-dimensional view. User can use the built-in user-friendly extraction tools to customize the application, if necessary.

### *Collaboration*

We co-operate with our shareholder, Hitachi, Limited to market seal display and signature verification system. The system can provide cross branch cheque clearing service by means of the state-of-the-art multi-dimension matching methodology. It not only facilitates cross branch cheque clearing service, but also helps to identify the fake seal which is one of the most important problems needs to be solved. The development and localization works have been completed. The system is now being tested by the Beijing local government authorities and will be launched into market upon approval.

The Company is engaged in intensive discussion (agreement not yet signed) with a Canadian software company to introduce auditing software as well as consultancy service to the market. It is expectably that, agreement could be reached in the end of the financial year. The collaboration with Hitachi assists the Group to provide more services to the existing customers, and also broaden the customer base to other industries outside banking sector.

The Company is also engaged in final stage of discussion (agreement not yet signed) with a New Zealand based solution provider of the life insurance market. The management expects that agreement will be signed in early next year.

### **Prospect**

The Group is optimistic about its future prospects. The globalisation of the world economy and the China accession to the World Trade Organisation ("WTO") will result in the increase in the volatility of the PRC software market. Since China has acceded to WTO and the economy in China still achieves a high growth rate, the management anticipates competition from the entry of foreign financial institutions will become fierce and the demand on IT is expected to increase.



The Group continues to expand the business through penetration into other financial related sectors such as securities & insurance and collaboration with international software companies to customize their products and launch in the PRC market.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 September 2002, 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	1,000,000 shares
Mr. Tang Chi Lap	Personal	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 30 September 2002, 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 2002, 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 30 September 2002, 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>
Hitachi, Ltd.	60,000,000	25.00%
Anstalt Pacific Techvest Inc. ( <i>Note 1</i> )	55,860,000	23.28%
CL Investments Limited ( <i>Note 2</i> )	55,860,000	23.28%
CL Strategic Holdings Limited ( <i>Note 3</i> )	55,860,000	23.28%
Brilliant Time Limited ( <i>Note 4</i> )	55,860,000	23.28%

### *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 Stock Exchange of Hong Kong Limited. 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 2003. These shares represent approximately 3.26% of the issued share capital of the Company at the date of this report. 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 2002.

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

As at 30 September 2002, 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, DBS Asia Capital Limited, its directors, employees and associates (as defined in the GEM Listing Rules), as at 30 September 2002 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.

DBS Asia Capital Limited has entered into a sponsorship agreement with the Company whereby, for a fee, DBS Asia 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 2002, 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.

## **BOARD PRACTICES AND PROCEDURES**

The Group has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the nine months ended 30 September 2002.

By order of the Board  
**Lee Man Lung, Vincent**  
*Chairman*

Hong Kong, 12 November 2002