



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

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF THE THIRD QUARTERLY 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** For identification purpose only*

HIGHLIGHTS

- Turnover was approximately HK\$32,718,000 for the nine months ended 30 September 2003.
- Net loss attributable to shareholders for the nine months ended 30 September 2003 was approximately HK\$14,817,000 with loss per share of approximately HK6.17 cents.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2003.

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 2003 and the three months ended 30 September 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

		For the nine months ended 30 September 2003 <i>HK\$'000</i>	For the nine months ended 30 September 2002 <i>HK\$'000</i>	For the three months ended 30 September 2003 <i>HK\$'000</i>	For the three months ended 30 September 2002 <i>HK\$'000</i>
Turnover	2	32,718	68,073	1,192	10,659
Cost of sales		<u>(31,758)</u>	<u>(49,220)</u>	<u>(1,909)</u>	<u>(7,714)</u>
Gross profit/(loss)		960	18,853	(717)	2,945
Other income		15	107	5	–
Selling and distribution expenses		(3,292)	(866)	(391)	(325)
Administrative expenses		<u>(11,309)</u>	<u>(16,476)</u>	<u>(1,991)</u>	<u>(4,965)</u>
Operating (loss)/profit		(13,626)	1,618	(3,094)	(2,345)
Finance costs		(530)	(255)	(33)	(46)
Amortization of goodwill		(661)	(1,190)	–	(397)
Impairment loss of investment securities		<u>–</u>	<u>(2,342)</u>	<u>–</u>	<u>(2,342)</u>
Loss before taxation		(14,817)	(2,169)	(3,127)	(5,130)
Taxation	3				
– Hong Kong		–	–	–	–
– PRC		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(14,817)</u></u>	<u><u>(2,169)</u></u>	<u><u>(3,127)</u></u>	<u><u>(5,130)</u></u>
Dividends		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss per share					
– Basic	4	<u><u>HK(6.17) cents</u></u>	<u><u>HK(0.92) cents</u></u>	<u><u>HK(1.30) cents</u></u>	<u><u>HK(2.14) cents</u></u>

1. Basis of preparation

The unaudited consolidated quarterly accounts (the “Quarterly Accounts”) are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“HKSSAP”) No. 25 “Interim Financial Reporting” and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

During the nine months ended 30 September 2003, the Group adopted SSAP 12 (revised) “Income Taxes” for the first time in the preparation of the Quarterly Accounts.

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 basis 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.

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.

3. Taxation

- i. 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.
- 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 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 2003 HK\$'000	For the nine months ended 30 September 2002 HK\$'000	For the three months ended 30 September 2003 HK\$'000	For the three months ended 30 September 2002 HK\$'000
<i>Loss</i>				
Loss for the period used in the calculation of basic loss per share	<u><u>(14,817)</u></u>	<u><u>(2,169)</u></u>	<u><u>(3,127)</u></u>	<u><u>(5,130)</u></u>
<i>Shares</i>				
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u><u>240,000,000</u></u>	<u><u>236,776,557</u></u>	<u><u>240,000,000</u></u>	<u><u>240,000,000</u></u>

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

5. Movements of reserves

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002 (Audited)	1,981	100	5,233	7,314
Net profit for the six months ended 30 June 2002	–	–	2,961	2,961
Premium on issuing new shares	18,000	–	–	18,000
Issuing expenses for share placing	(944)	–	–	(944)
	<u>19,037</u>	<u>100</u>	<u>8,194</u>	<u>27,331</u>
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)
	<u>19,037</u>	<u>100</u>	<u>3,064</u>	<u>22,201</u>
At 30 September 2002 (Unaudited)	<u>19,037</u>	<u>100</u>	<u>3,064</u>	<u>22,201</u>
At 1 January 2003 (Audited)	19,030	100	(15,619)	3,511
Net profit for the six months ended 30 June 2003	–	–	(11,690)	(11,690)
	<u>19,030</u>	<u>100</u>	<u>(27,309)</u>	<u>(8,179)</u>
At 30 June 2003 (Unaudited)	19,030	100	(27,309)	(8,179)
Net loss for the three months ended 30 September 2003	–	–	(3,127)	(3,127)
	<u>19,030</u>	<u>100</u>	<u>(30,436)</u>	<u>(11,306)</u>
At 30 September 2003 (Unaudited)	<u>19,030</u>	<u>100</u>	<u>(30,436)</u>	<u>(11,306)</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 2003 (2002: Nil).

BUSINESS REVIEW AND OUTLOOK

General

The Group recorded a turnover of approximately HK\$32,718,000 (2002: 68,073,000) representing approximately a 51.9% decrease. The unaudited consolidated loss attributable to shareholders for the nine months ended 30 September 2003 was approximately HK\$14,817,000 (2002: HK\$2,169,000) representing approximately 583% increase as compared with 2002. The loss per share for the nine months ended 30 September 2003 was HK6.17 cents (2002: HK0.92 cents).

Cost of sales

As mentioned in the annual report 2002, cost of sales included the PRC technical staff salaries and expenses incurred throughout the year. According to the revenue matching principle applied by the Group, these expenses were capitalised first and charged to the income statement upon recognition of after-sales services for package software products. The practice has been implemented consistently for years and part of these costs incurred during the year were charged to the income statement throughout the first two quarters of the year and the residual capitalised costs would have been expected to be charged to the income statement in the last quarter of the financial year. Starting from the first quarter of 2003, the directors decided to adopt a prudent approach to write off the previously capitalised technical staff costs incurred during the year against the income statement in the reported financial year. For the nine months ended 30 September 2003, the amount involved was approximately HK\$2,599,000. Going forward, since the general operating environment remains unclear, the directors will continue to be prudent in capitalising future technical staff salaries and expenses.

Results

The deterioration in the financial conditions of the Group was mainly attributed to the structural reform of the financial industry in the PRC which is still undergoing and not finished yet. This hindered the banks in the PRC from acquiring new hardware and software.

Administrative expenses for the nine months ended 30 September 2003 decreased by 31% compared with the same period last year, to approximately HK\$4,309,000. The reduction in administrative expenses was mainly the result of various cost-saving measures implemented from the beginning of the year 2003.

Outlook

Global economics environment continues to be uncertain, which will affect the industry growth with longer sales cycles. The third quarter results were getting worse due to the negative effect of SARS in the PRC financial industry still recovering in slow paces. In view of the market uncertainty, the management of the Group will continue to review the overall financial implications resulting from the above factor towards the Group and will continue to monitor the situation and respond accordingly. Finally, the Group will continue to implement stringent cost control and aims to increase its competitiveness by further reduce the overall operating expenses.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2003, the interests and short positions of the Directors in the securities of the Company and its 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 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in shares and underlying shares of equity derivatives of the Company

Name of Director	Capacity in which such interests were held	Number of shares	Percentage of nominal value of issued share capital
Mr. Lee Man Lung, Vincent (<i>Note 1</i>)	Interests of corporation controlled by him	55,860,000	23.28%
Mr. Fung Pak Chuen, Alphonso (<i>Note 2</i>)	Interests of spouse	55,860,000	23.28%
Mr. Lo, Richard (<i>Note 3</i>)	Interests of spouse and child under 18	55,860,000	23.28%
Mr. Yip Tai Chee, Alick	Beneficial owner	1,000,000	0.42%
Mr. Tang Chi Lap	Beneficial owner	280,000	0.12%

Notes:

1. As Mr. Lee Man Lung, Vincent is interested in 100% of the issued share capital of Brilliant Time Limited, he is taken to have an interest in the 55,860,000 shares held by Brilliant Time Limited.
2. CL Investments Limited (“CL Investments”) has a 50% interest in the issued share capital of CL Strategic Holdings Limited (“CLSH”) and is accordingly taken to have an interest in the 55,860,000 shares in which CLSH is interested under the SFO.

Gumpton Investments Limited (“Gumpton”), which holds 75% of the issued share capital of CL Investments, is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SFO.

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 55,860,000 shares in which Gumpton is interested under the SFO.

AFS is wholly-owned by The General Trust Co. Ltd. (“General Trust”). General Trust is the trustee of AFS Trust, one of the beneficiaries of which is the wife of Mr. Fung Pak Chuen, Alphonso. Mr. Fung Pak Chuen, Alphonso is taken to have an interest in the same 55,860,000 shares by virtue of his spouse’s interest under the SFO.

3. 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 55,860,000 shares in which Gumpton is interested under the SFO.

Ardian is wholly-owned by General Trust. General Trust is the trustee of Ardian Trust, the beneficiaries of which include the wife and a child (who is under 18 years of age) of Mr. Lo, Richard. Mr. Lo, Richard is taken to have an interest in the same 55,860,000 shares by virtue of his spouse’s and his child’s (who is under 18 years of age) interest under the SFO.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein, as at 30 September 2003, none of the Directors has short positions in the shares or underlying shares of equity derivatives of the Company.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 30 September 2003, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

(a) Long positions in shares and underlying shares of equity derivatives of the Company

Name of Shareholder	Capacity in which such interests were held	Number of shares	Percentage of nominal value of issued share capital
Hitachi, Ltd.	Beneficial owner	60,000,000	25.00%
CLSH	Beneficial owner	55,860,000	23.28%
Anstalt Pacific Techvest Inc. (“Anstalt”) (Note 1)	Interests of corporation controlled by it	55,860,000	23.28%
Lam Soon (Hong Kong) Limited (“Lam Soon”) (Note 2)	Interests of corporation controlled by it	55,860,000	23.28%
CL Investments (Note 3)	Interests of corporation controlled by it	55,860,000	23.28%
Gumpton (Note 4)	Interests of corporation controlled by it	55,860,000	23.28%
AFS (Note 5)	Interests of corporation controlled by it	55,860,000	23.28%
Ardian (Note 5)	Interests of corporation controlled by it	55,860,000	23.28%
General Trust (Note 6)	Interests of corporation controlled by it	55,860,000	23.28%
Mrs. Fung, Pui Lan Angela (Note 7)	Beneficiary of trust	55,860,000	23.28%
Mrs. Lo, Lilian (Note 8)	Beneficiary of trust	55,860,000	23.28%
Mr. Theodore Lo (Note 8)	Beneficiary of trust	55,860,000	23.28%
Brilliant Time Limited (Note 9)	Beneficial owner	55,860,000	23.28%

Notes:

1. Anstalt has a 50% interest in the issued share capital of CLSH and is accordingly taken to have an interest in the 55,860,000 shares in which CLSH is interested under the SFO.
2. Anstalt is a wholly-owned subsidiary of Lam Soon and Lam Soon is accordingly taken to have an interest in the 55,860,000 shares in which Anstalt is interested under the SFO.
3. CL Investments has a 50% interest in the issued share capital of CLSH and is accordingly taken to have an interest in the 55,860,000 shares in which CLSH is interested under the SFO.
4. Gumpton, which holds 75% of the issued share capital of CL Investments, is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SFO.
5. 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 55,860,000 shares in which Gumpton is interested under the SFO.
6. AFS and Ardian are in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 55,860,000 shares in which AFS and Ardian are interested under the SFO.
7. General Trust is the trustee of AFS Trust. Being a beneficiary of AFS Trust, Mrs. Fung, Pui Lan Angela is taken to have an interest in the 55,860,000 shares in which General Trust is interested under the SFO.
8. General Trust is also the trustee of Ardian Trust. Mrs. Lo, Lilian and Mr. Theodore Lo are beneficiaries of Ardian Trust and therefore are taken to have an interest in the 55,860,000 shares in which General Trust is interested under the SFO.
9. Brilliant Time Limited is beneficially and wholly-owned by Mr. Lee Man Lung, Vincent.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

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 announcement. 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 2003.

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

As at 30 September 2003, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTERESTS

As at 30 September 2003, 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 Group'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 2003.

By order of the Board
Lee Man Lung, Vincent
Chairman

Hong Kong, 31 October 2003

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at <http://www.computech.com.hk> .