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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)

CONTINUING CONNECTED TRANSACTIONS

The Second Purchase and Service Agreement dated 15 November 2005 in relation to the Continuing Connected Transaction will expire on 31 December 2008. The Company proposes to continue with the Continuing Connected Transactions with the CLIH Group by entering into the New Agreement to renew the terms under the Second Purchase and Service Agreement for another three years commencing from 1 January 2009, being the day immediately after the expiry of the Second Purchase and Service Agreement, up to and including 31 December 2011. The Directors consider that there is no material change to the terms of the New Agreement as compared with the Second Purchase and Service Agreement.

As at the date hereof, CLIH is interested as to approximately 23.08% of the issued share capital of the Company. CLIH is a substantial Shareholder and a connected person of the Company under the GEM Listing Rules. Transactions contemplated under the New Agreement between the Company and CLIH will constitute continuing connected transactions for the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. CLIH, Aplus (being an associate of CLIH) and their respective associates, if any, will abstain from voting on the resolutions to be proposed in relation to the New Agreement at the EGM. The vote will be taken by poll.

GENERAL

An Independent Board Committee will be established to advise the Independent Shareholders in connection with the New Agreement. An independent financial adviser will be appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions.

* *For identification purposes only*

A circular containing, inter alia, details of (i) the New Agreement; (ii) the recommendation of the Independent Board Committee; and (iii) the advice of the independent financial adviser to the Independent Board Committee and to the Independent Shareholders; and (iv) a notice of EGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

BACKGROUND

Reference is made to the circulars of the Company dated 18 August 2004 and 5 December 2005 respectively in relation to the First Purchase and Service Agreement and the Second Purchase and Service Agreement, pursuant to which the Group would provide information technology-related services to certain customers of the CLIH Group in Hong Kong and the PRC and purchase Inventories from the CLIH Group on a recurring basis.

The term of services under the First Purchase and Service Agreement expired on 31 December 2005 and was extended by the Second Purchase and Service Agreement for another three years commencing from 1 January 2006. The Second Purchase and Service Agreement will expire on 31 December 2008. The Company now proposes to further continue with the Continuing Connected Transactions with the CLIH Group by entering into the New Agreement to renew the terms under the Second Purchase and Service Agreement for another three years commencing from 1 January 2009, being the day immediately after the expiry of the Second Purchase and Service Agreement, up to and including 31 December 2011. The Directors consider that there is no material change to the terms of the New Agreement as compared with the Second Purchase and Service Agreement.

As at the date hereof, CLIH is interested as to approximately 23.08% of the issued share capital of the Company. CLIH is a substantial Shareholder and a connected person of the Company under the GEM Listing Rules. Transactions contemplated under the New Agreement between the Company and CLIH will constitute continuing connected transactions for the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The issued share capital of CLIH is owned as to approximately 67.86% by Adwin Investment Limited, approximately 29.06% by third parties independent of the Company and approximately 3.08% by Win Plus Group Limited. Adwin Investment Limited is owned as to approximately 73.77% by Win Plus Group Limited. Aplus, a substantial Shareholder interested as to approximately 18.93% of the issued share capital of the Company, is owned as to approximately 84% by Win Plus Group Limited. Accordingly, Aplus is an associate of CLIH. CLIH, Aplus and their respective associates, if any, will abstain from voting on the resolutions to be proposed in relation to the New Agreement at the EGM. The vote will be taken by poll.

RENEWAL OF THE CONTINUING CONNECTED TRANSACTION

The New Agreement

Date: 14 November 2008

Parties: (i) The Company

(ii) CLIH

Subject: (i) Provision of IT Services; and

(ii) Purchase Transactions.

Period: From 1 January 2009 to 31 December 2011

The Company is principally engaged in the research, development and sale of software products, the provision of information technology services such as consultancy, technical and system integration services in Hong Kong and in the PRC.

The CLIH Group is principally engaged in the research, development and provision of I.T. solutions and related services in Hong Kong, the PRC and South-East Asia.

Provision of IT Services

(i) Nature of transaction

The Second Purchase and Service Agreement governing, inter alia, the Provision of IT Services will expire on 31 December 2008. Under the New Agreement, the Group will continue to act as an outsourcing partner of the CLIH Group. The Group will render information technology-related services including, but not limited to, system maintenance, technical support, system integration and operation support, to existing non-banking sector customers of the CLIH Group in Hong Kong and the PRC during the term of the New Agreement. As an outsourcing partner, these services will be provided by the Group in accordance with the terms of the contracts entered into between the CLIH Group and their respective customers, who are not connected persons of the Company.

Under the New Agreement, upon expiration of the contracts between CLIH Group and its customers in relation to the Provision of IT Services, the Company may negotiate and enter into new contracts directly with those customers. While there is no guarantee that the Company will be able to secure contracts with those customers, if it is able to do so, the contracts to be entered into between these customers and the Company will be negotiated on an arm's length basis.

The Provision of IT Services is in line with the Company's principal business activities. The Directors are of the view that the outsourcing arrangement with CLIH Group relating to the Provision IT Services will enable: (i) the Group to continue expanding its customer base in the non-banking sector and diversifying its income source; and (ii) both the Group and the CLIH Group to focus on their respective core competencies. On this basis, the Directors are of the view that the Provision of IT Services will provide positive contribution, and is beneficial, to the Group.

(ii) Pricing basis

The Provision of IT Services will be carried out in the ordinary course of business of the Group and conducted on normal commercial terms. The Group will furnish CLIH with monthly service activity reports detailing the services rendered to the relevant customers and the amount of time incurred by the Group. Fees for services rendered will be (i) charged to CLIH on a project/contract basis which is calculated based on, for example, units or value of products sold, amount of time required for services performed or number of calls serviced; and (ii) payable by CLIH to the Group. Such payments from CLIH to the Group may be on monthly/quarterly/semi-annual or annual basis, mirroring the terms of payment between CLIH and its customers. CLIH Group is obligated to pay the Group regardless of whether CLIH itself has received payments from its customers. The Directors confirm that such payment arrangements are in line with normal commercial practices. The Directors are of the view that the payment arrangement and the pricing are fair and reasonable so far as the Company and the Shareholders are concerned.

The Directors consider the fees to be received from the Provision of IT Services, which are expected to cover the cost of inventory used, labour costs and other relevant costs to be incurred in carrying out such services and to generate a reasonable margin for the Group, to be fair and reasonable so far as the Shareholders are concerned.

Purchase Transactions

(i) Nature of transaction

In the course of carrying out its engagement under the outsourcing arrangements in respect of the Provision of IT Services, the Group will need to utilise items such as computer parts and components, including the Inventories. Save for purchasing Inventories from CLIH for the Provision of IT Services, the Group will also purchase Inventories, in particular certain equipment, from CLIH for the Group's own customers of other businesses.

The Second Purchase and Service Agreement governing, inter alia, the Purchase Transactions will expire on 31 December 2008. Under the New Agreement, the Company may from time to time purchase Inventories from CLIH on an order-by-order basis for its own use in the ordinary and usual course of business including the Provision of IT Services. No minimum amount of purchase is stipulated and the purchases may be made by the Company at its discretion. The Directors are of the view that the Purchase Transaction will minimise the need for the Group to carry excess Inventories which are not immediately used. It may also allow the Group to enjoy bulk purchase discounts as the Group's purchase requirements are aggregated with CLIH Group's own purchases. The Group, however, will purchase inventories and equipment of the same or similar nature and/or function of the Inventories from other suppliers if better prices or discounts are offered.

(ii) *Pricing basis*

The purchase prices of the Inventories will be on normal commercial terms and determined on arm's length basis. They will be settled by internal resources of or banking facilities obtained by the Group. The prices of the Inventories shall not exceed the prevailing market prices at which these products are available to the Group from Independent Third Parties. The payment terms for such purchases, including any credit terms available to the Group, will depend on and mirror the terms between CLIH and the relevant suppliers.

Basis of proposed caps amounts

The Company and CLIH Group commenced the Continuing Connected Transaction since the fourth quarter of the year 2004.

The table below sets out the actual total contract sums which were received and paid by the Group in respect of the Continuing Connected Transactions in the past and the proposed caps for the Continuing Connected Transactions for the three years ending 31 December 2011:

	Actual total contract sum			Proposed caps		
	For the year ended		For the	For the year ending		
	31 December		six months	31 December		
	2006	2007	ended	2009	2010	2011
	(audited)	(audited)	(unaudited)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of IT Services	34,358	29,738	15,997	49,000	58,000	66,000
Purchase Transactions	19,103	13,779	6,079	8,000	8,000	8,000

Provision of IT Services

The historical caps for the two years ended 31 December 2006 and 2007 were HK\$43 million and HK\$62 million respectively and for the year ending 31 December 2008 is HK\$79 million.

For the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008, the total contract sum which were received by the Group in respect of the Provision of IT Services under the Second Purchase and Service Agreement were approximately HK\$34 million, HK\$30 million and HK\$16 million respectively. On an annualized basis, the contract sum for the year ending 31 December 2008 would be approximately HK\$32 million. As the Company considers that there will be new businesses and revenue growth under the Provision of I.T. Services in 2009, the proposed new caps for 2009 will increase as comparing to the contract sum for the year ending 31 December 2008. The proposed new caps for the Provision of IT Services for each of the three years ending 31 December 2011 are approximately HK\$49 million, HK\$58 million and HK\$66 million respectively.

The annual cap for each of the three years ending 31 December 2011 are estimated by the Directors after taking into account (i) the historical figures for the Continuing Connected Transactions; (ii) CLIH Group's current customer contracts on hand; and (iii) business projections provided by the management of CLIH, which are based on contracts under negotiation between CLIH Group and its customers.

Purchase Transactions

The historical caps for the two years ended 31 December 2006 and 2007 were HK\$23 million and HK\$24 million respectively and for the year ending 31 December 2008 is HK\$26 million.

For the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008, the total contract sum which were received by the Group in respect of the Purchase Transactions under the Second Purchase and Service Agreement were approximately HK\$19 million, HK\$14 million and HK\$6 million respectively. On an annualized basis, the contract sum for the year ending 31 December 2008 would be approximately HK\$12 million. The proposed new caps for the Purchase Transactions for each of the three years ending 31 December 2011 are approximately HK\$8 million, HK\$8 million and HK\$8 million respectively.

The annual cap for each of the three years ending 31 December 2011 are estimated by the Directors after taking into account (i) the historical figures for the Continuing Connected Transactions; (ii) CLIH Group's current customer contracts on hand; (iii) business projections provided by the management of CLIH, which are based on contracts under negotiation between CLIH Group and its customers; (iv) estimated parts and components usage based on projected service calls volume under the Provision of IT Services; and (v) estimated purchase of equipment by the Company for its other customers.

REASONS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

Outsourcing of information technology services has been adopted by many commercial enterprises and government institutions over the years. The Directors are of the view that such trend will continue as it allows these organisations to focus on their core competencies while relying on partners who have the scale and capabilities to handle such non-core areas, often in a more economical and efficient manner.

The Group started the Provision of IT Services in the fourth quarter of 2004 and principally undertakes outsourcing jobs for non-banking sector customers of the CLIH Group. The Directors advised that the Provision of IT Services has expanded the client base of the Group and became one of the major income sources of the Group.

In view of the growing trend of outsourcing of information technology services among large commercial institutions, the Directors are of the view that the Provision of IT Services will continue to contribute positively, and is beneficial, to the Group.

With regard to the Purchase Transactions, the CLIH Group has arrangements with suppliers that provide better prices or discounts for purchases of the Inventories. The Purchase Transactions will therefore continue to allow the Group to purchase the Inventories from the CLIH Group at prices lower than if it purchases directly from suppliers. Such arrangements also minimise the need to carry excess Inventories when they are not immediately used. Nevertheless, the Directors advise that the Group will purchase equipment and inventories directly from third parties if the terms of such purchases are more favourable than those offered by the CLIH Group.

The Directors consider that the Continuing Connected Transactions as contemplated under the New Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms thereof and the proposed new caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They are also of the view that the Continuing Connected Transactions will complement the Group's operations and enable it to diversify its sources of revenue.

LISTING RULES IMPLICATIONS

The Provision of IT Services and the Purchase Transactions contemplated under the New Agreement constitute continuing transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rules 20.35 and 20.52 of the GEM Listing Rules. The Company intends to seek the approval from the Independent Shareholders at the EGM in respect of the New Agreement pursuant to Rule 20.35 and of the proposed caps for the Continuing Connected Transactions for each of the three financial years ending 31 December 2011 pursuant to Rule 20.52 of the GEM Listing Rules. As connected persons of the Company, CLIH, Aplus and their respective associate(s), if any, are required to abstain from voting at the EGM on the relevant resolutions pursuant to Rule 20.54 of the GEM Listing Rules. The vote will be taken by poll.

RESPONSIBILITY STATEMENT

This announcement, for which the directors of the issuer 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 issuer. 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.

GENERAL

An Independent Board Committee will be established to advise the Independent Shareholders in connection with the New Agreement. An independent financial adviser will be appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions.

A circular containing, inter alia, details of (i) the New Agreement; (ii) the recommendation of the Independent Board Committee; and (iii) the advice of the independent financial adviser to the Independent Board Committee and to the Independent Shareholders; and (iv) a notice of EGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Aplus”	Aplus Worldwide Limited, a substantial Shareholder and is interested as to approximately 18.93% of the issued share capital of the Company
“associate(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors

“CLIH”	CL International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder and is interested as to approximately 23.08% of the issued share capital of the Company
“CLIH Group”	CLIH and its subsidiaries
“Company”	Computech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at which resolutions will be proposed, among other things, to consider and, if thought fit, approve the transactions contemplated in relation to the New Agreement
“First Purchase and Service Agreement”	the agreement entered into between the Company and CLIH dated 28 July 2004 in respect of the Continuing Connected Transactions for the period from 28 July 2004 to 31 December 2005
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Continuing Connected Transactions”	the Provision of IT Services and the Purchase Transactions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors Mr Lee Sai Yeung, Mr Chung Kong Fei, Stephen, and Mr Ng Chik Sum, Jackson, to be formed for the purpose of advising Independent Shareholders in relation to the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CLIH and Aplus and their respective associates

“Independent Third Parties”	third parties independent of the Company and its connected persons and are not connected persons of the Company
“Inventories”	inventories comprising principally computer parts and components, peripherals and equipment to be acquired by the Company from CLIH pursuant to the New Agreement or the First Purchase and Service Agreement or the Second Purchase and Service Agreement (as the case may be)
“New Agreement”	the conditional agreement dated 14 November 2008 entered into between the Company and CLIH in respect of the Continuing Connected Transactions for a term of three years from the date after the expiry of the Second Purchase and Service Agreement
“PRC”	the People’s Republic of China
“Provision of IT Services”	provision of information technology related services including, but not limited to, system maintenance, technical support, system integration and operation support, by the Company to customers of the CLIH Group in Hong Kong and the PRC
“Purchase Transactions”	purchases of Inventories from CLIH by the Company for use in the Group’s ordinary and usual course of business including the Provision of IT Services
“Second Purchase and Service Agreement”	the agreement entered into between the Company and CLIH dated 15 November 2005 in respect of the Continuing Connected Transactions for the period from 1 January 2006 to 31 December 2008
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 18 November 2008

* *For identification purposes only*

As at the date of this announcement, the executive Directors are Mr Fung Pak Chuen, Alphonso and Mr Mak Kwong Yiu. The independent non-executive Directors are Mr Lee Sai Yeung, Mr Chung Kong Fei, Stephen and Mr Ng Chik Sum, Jackson.

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