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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)

**(1) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
THE ACQUISITION OF APPROXIMATELY 86% OF
THE ISSUED SHARE CAPITAL IN WISEKING MINING INVESTMENT
AND THE SHAREHOLDER'S LOAN DUE FROM
WISEKING MINING INVESTMENT
INVOLVING THE ISSUE OF CONVERTIBLE PREFERENCE SHARES
AND PROMISSORY NOTES;
(2) INCREASE IN AUTHORISED SHARE CAPITAL; AND
(3) RESUMPTION OF TRADING**

THE ACQUISITION

On 2 June 2010, the Company and the Vendors entered into the Acquisition Agreement pursuant to which, among other things, (i) the Vendors conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, representing approximately 86% of the issued share capital of the Target, and the Sale Loan; and (ii) the Consideration of the Acquisition is HK\$2,395,601,000 (subject to adjustments), which shall be satisfied by the Company by a combination of cash, issue and allotment of the Consideration CPS and Promissory Notes. Pursuant to the terms of the Acquisition Agreement, the consideration for the Sale Loan shall be HK\$1.0 and, accordingly, the consideration for the Sale Shares shall be HK\$2,395,600,999 (subject to adjustments). In addition, pursuant to the Acquisition Agreement, the Company undertakes in favour of the Vendors that within 30 days after the execution of the Acquisition Agreement, the Company will use its best endeavours to make a conditional offer to the Remaining Shareholders to acquire the Remaining Shares, representing approximately 14% of the entire issued share capital of the Target, at a total consideration of HK\$282,000,000 by way of cash and/or the Fourth Tranche Promissory Notes.

The offer for the Remaining Shares is open for acceptance for a period of 14 days from the date of the offer letter issued by the Company and it shall lapse unconditionally if the offer is not accepted in full by all the Remaining Shareholders after the offer period. After the entering into of the Acquisition Agreement, the Company has informed the Remaining Shareholders of its intention to make the conditional offer to them and has invited them to discuss the conditional offer in more details. As at the date of this announcement, the Company has not finalised the terms with the Remaining Shareholders. As such, the Company considers its obligation under the Acquisition Agreement to use its best endeavour to make the offer for the Remaining Shares has been fulfilled and the offer for the Remaining Shares pursuant to the Acquisition Agreement is no longer applicable. The Company will use its best endeavours to continue to negotiate with the Remaining Shareholders on the proposed acquisition of the Remaining Shares and will, if required under the GEM Listing Rules, issue a separate announcement and (if required) obtain a separate Shareholders' approval thereof when the proposed acquisition of the Remaining Shares is materialized.

On 19 July 2010, the Company received a letter from the Hong Kong legal advisers of Stark Moly notifying the Company that Stark Moly (who is one of the Remaining Shareholders) has commenced legal proceedings before the High Court of Hong Kong against Angel Wise Limited, the Target, Brown Lake Finance Limited, Debut, Apex and Splendid. As stated in the letter, it was alleged that the First Transfer and the Second Transfer amounted to dispositions of property with an intent to defraud creditors. Accordingly, Stark Moly is seeking for a court declaration to set aside the First Transfer and the Second Transfer, and another court declaration for reinstating the name of Angel Wise Limited in the register of members of the Target. It was further stated in the letter that if the First Transfer and the Second Transfer were to be set aside, then each of Debut, Splendid and Apex would have no legal title to and thus be unable to sell their shares in the Target (representing an aggregate of approximately 8.6% of the issued share capital in the Target) to the Company. On 27 July 2010, the Company was further informed by the Hong Kong legal advisers of Stark Moly that the Target has been ordered by the High Court of Hong Kong, among other things, not to register any transfer of, or otherwise deal with, its shares currently held by each of Apex, Debut and Splendid until trial in the Proceedings or further order. This court order effectively prohibits the parties to the Acquisition Agreement proceeding to Completion, since registration of such transfer of shares in the Target by each of Apex, Debut and Splendid to the Company is an necessary act to be done upon Completion for the Company becoming the formal and legal owner of such shares in the Target. Upon the Company's further enquiries, the representative of the Vendors represents and confirms that no injunction or court order has been served on any of Apex, Debut and Splendid prohibiting them from entering into the Acquisition Agreement or proceeding with the Acquisition Agreement. Based on the representations of the Vendors, the Directors consider that it is still feasible to proceed with the Acquisition Agreement at this stage by requiring the relevant Vendors to resolve or settle the Proceedings as soon as possible and in any event before Completion. In this connection, the Company entered into the Supplemental Agreement on 28 July 2010 to amend the conditions precedent of the Completion to include the discharge or resolution or settlement of the Proceedings in manner satisfactory to the Company.

The 7,987,015,625 Conversion Shares to be allotted and issued upon full conversion of the Consideration CPS at the Initial Conversion Price represents (i) approximately 10.12 times of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 91.00% of the issued share capital of the Company as enlarged by the allotment and issue of a maximum of 7,987,015,625 Conversion Shares upon conversion of the Consideration CPS in full at the Initial Conversion Price. However, under the terms of the Convertible Preference Shares, no conversion of the Convertible Preference Shares shall take place if (i) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (ii) to the extent that following such exercise, the relevant Convertible Preference Shareholder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); or (iii) if immediately after such conversion, the Shares in public hands shall fall below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.

Completion is subject to fulfilment or waiver of certain conditions precedent as set out in the section headed “Conditions precedent” below.

INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

The Board proposes to increase the Company’s authorised share capital from HK\$100,000,000 divided into 10,000,000,000 Shares to HK\$250,000,000 divided into 15,000,000,000 Shares and 10,000,000,000 Convertible Preference Shares by the creation of 5,000,000,000 Shares and 10,000,000,000 Convertible Preference Shares. The Capital Increase is determined by taking into account of the maximum number of Conversion Shares which may be allotted and issued pursuant to the exercise of the rights attached to the Consideration CPS to be issued in accordance with the Acquisition Agreement, new Shares to be issued by the Company under the Proposed Placing, and the Company’s need for flexibility to issue new Shares for future investments and developments.

GEM LISTING RULES IMPLICATION

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a very substantial acquisition for the Company pursuant to Rule 19.06(5) of the GEM Listing Rules. The Acquisition and the transactions contemplated under the Acquisition Agreement, and the Capital Increase are subject to the approval by the Shareholders at the EGM by way of poll. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the Capital Increase which is different from other Shareholders, no Shareholder is therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder and the Capital Increase. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners and their respective associates do not hold any Shares, options or securities convertible into Shares as at the date of the Acquisition Agreement.

DESPATCH OF CIRCULAR

The Circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) a technical report on all the Mines prepared in accordance with the requirements under Chapter 18A of the GEM Listing Rules; (v) a valuation report on the Target Group or the mines of the Target Group; (vi) details of the Capital Increase; and (vii) the notice of the EGM will be sent to the Shareholders as soon as possible.

It is currently expected that it will take about two to three months for the Company and the professional parties to prepare the relevant information for inclusion in the Circular including, but not limited to, the accountants' reports on the Target Group, the unaudited pro forma financial information of the Group as enlarged by the Target Group and the technical report in respect of the Mines. Accordingly, the date of despatch of the Circular is expected to be on or before 31 December 2010.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3 June 2010 at the request of the Company pending and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 July 2010.

As the Acquisition Agreement is subject to a number of conditions precedent, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 4 January 2010 in relation to the entering into of the non-legally binding MOU by Computech Online Limited, a wholly-owned subsidiary of the Company, and Mr. Lam regarding a possible acquisition by Computech Online Limited of the entire issued share capital of the Target. On 2 June 2010 and 28 July 2010, the Company and the Vendors entered into the Acquisition Agreement and the Supplemental Agreement respectively, details of which are set out below in this announcement.

THE ACQUISITION AGREEMENT

Date: 2 June 2010 (as supplemented by the Supplemental Agreement dated 28 July 2010)

Parties:

Purchaser: the Company

Vendors: (i) Mr. Lam, a businessman holding 510,000 shares of the Target, representing 51.0% of the issued share capital of the Target;

- (ii) Full Harbour, an investment holding company incorporated in the Cayman Islands wholly-owned by Mr. Lam Lam, who is a businessman and the son of Mr. Lam, holding 209,300 shares of the Target, representing approximately 20.9% of the issued share capital of the Target;
- (iii) Monz, an investment holding company incorporated in the BVI wholly-owned by Mr. Ong Sing Eng who is a businessman, holding 49,500 shares of the Target, representing approximately 5.0% of the issued share capital of the Target;
- (iv) Apex, an investment holding company incorporated in Malaysia owned as to 50% by Mr. Yahya Razali who is a businessman and as to 50% by Ms. Lim See Tow who is a businesswoman, holding 25,862 shares of the Target, representing approximately 2.6% of the issued share capital of the Target;
- (v) Debut, an investment holding company incorporated in Malaysia owned as to approximately 99.9999% by Mr. Loke Kim Wan who is a businessman and as to approximately 0.0001% by Mr. Norimi Bin Ngah@ Karim who is a businessman, holding 38,815 shares of the Target, representing approximately 3.9% of the issued share capital of the Target;
- (vi) Splendid, an investment holding company incorporated in Malaysia owned as to 50% by Mr. Lee Kek Thay who is a businessman and as to 50% by Ms. Lee Ann Ann who is a businesswoman, holding 21,486 shares of the Target, representing approximately 2.1% of the issued share capital of the Target;
- (vii) Fabulous Way, an investment holding company incorporated in the Cayman Islands (which is owned as to 51.00% by Mr. Lam, as to 20.93% by Full Harbour, as to approximately 8.77% by Stark Moly, as to approximately 8.70% by Angel Wise Limited, as to 5.00% by Monz, as to approximately 3.29% by SIG China Investments One, Ltd, as to approximately 1.97% by Addgood Holdings Limited and as to approximately 0.34% by Dragonrider), holding 2,807 shares of the Target, representing approximately 0.3% of the issued share capital of the Target; and
- (viii) Dragonrider, a fund established in the Cayman Islands and the general partner of which is Asiasons Private Equity Inc., holding 3,363 shares of the Target, representing approximately 0.3% of the issued share capital of the Target.

On 19 July 2010, the Company received a letter from the Hong Kong legal advisers of Stark Moly (who is one of the Remaining Shareholders) notifying the Company that Stark Moly has commenced legal proceedings before the High Court of Hong Kong against Angel Wise Limited, the Target, Brown Lake Finance Limited, Debut, Apex and Splendid. As stated in the letter, it was alleged that the First Transfer and the Second Transfer amounted to dispositions of property with an intent to defraud creditors. Accordingly, Stark Moly is seeking for a court declaration to set aside the First Transfer and

the Second Transfer, and another court declaration for reinstating the name of Angel Wise Limited in the register of members of the Target. It was further stated in the letter that if the First Transfer and the Second Transfer were to be set aside, then each of Debut, Splendid and Apex would have no legal title to and thus be unable to sell their shares in the Target (representing an aggregate of approximately 8.6% of the issued share capital in the Target) to the Company. On 27 July 2010, the Company was further informed by the Hong Kong legal advisers of Stark Moly that the Target has been ordered by the High Court of Hong Kong, among other things, not to register any transfer of, or otherwise deal with, its shares currently held by each of Apex, Debut and Splendid until trial in the Proceedings or further order. This court order effectively prohibits the parties to the Acquisition Agreement proceeding to Completion, since registration of such transfer of shares in the Target by each of Apex, Debut and Splendid to the Company is an necessary act to be done upon Completion for the Company becoming the formal and legal owner of such shares in the Target. Upon the Company's further enquiries, the representative of the Vendors represents and confirms that no injunction or court order has been served on any of Apex, Debut and Splendid prohibiting them from entering into the Acquisition Agreement or proceeding with the Acquisition Agreement. Based on the representations of the Vendors, the Directors consider that it is still feasible to proceed with the Acquisition Agreement at this stage by requiring the relevant Vendors to resolve or settle the Proceedings as soon as possible and in any event before Completion. In this connection, the Company entered into the Supplemental Agreement on 28 July 2010 to amend the conditions precedent of the Completion to include the discharge or resolution or settlement of the Proceedings in manner satisfactory to the Company. On the basis that such condition precedent is not waivable by the parties, the Company consider it is justifiable to proceed with the Acquisition (including the acquisition of the shares of the Target held by each of Debut, Apex and Splendid) in accordance with the terms and conditions of the Acquisition Agreement.

On 6 September 2008, the Company entered into a service agreement with the Agent for the provision of business development advisory services by the Agent for the business of the Group. In September 2009, the Agent was introduced to the representatives of the Vendors who introduced the Target Group and the related investment opportunity to the Agent. After further negotiation, Computech Online Limited, a wholly-owned subsidiary of the Company, entered into the MOU with Mr. Lam on 31 December 2009 and the Company entered into the Acquisition Agreement with the Vendors on 2 June 2010.

As advised by the Vendors, save for (i) Mr. Lam Lam, the shareholder of Full Harbour, is the son of Mr. Lam; (ii) Angel Wise Limited, being a shareholder holding approximately 8.70% of the issued shares of Fabulous Way, is the special purpose vehicle of Dragonrider; and (iii) Mr. Lam, Full Harbour, Monz and Dragonrider are also shareholders of Fabulous Way, each of the Vendors and their ultimate beneficial owners are independent to and not related with each other. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors, their respective ultimate beneficial owners and their respective associates are third parties independent of the Company and its connected persons. Save for the entering into of the MOU, the Group has not engaged in any previous transactions which were related to the Acquisition or with any of the Vendors in the last 12 months from the date of the Acquisition Agreement which would otherwise require aggregation under Rule 19.22 of the GEM Listing Rules. Pursuant to the terms of the Acquisition Agreement, the Vendors are not entitled to nominate any persons to be appointed as Directors.

Assets to be acquired

The subjects of the assets to be acquired under the Acquisition Agreement are (i) the Sale Shares (being 861,133 issued shares of the Target, representing approximately 86% of the issued share capital of the Target); and (ii) the Sale Loan (being all the debts, obligations and liabilities owed by the Target to Mr. Lam as at Completion, representing the entire outstanding shareholder's loan of the Target as at the date of Completion).

As at the date of the Acquisition Agreement and 30 June 2010, based on the unaudited consolidated management accounts of the Target, the amount due by the Target to its shareholders was approximately HK\$253.7 million. The entire amount of such debts is due to Mr. Lam (who is one of the Vendors) as at the date hereof. At Completion, it is expected that the Target will owe no other debts to all of its shareholders other than the debts owed to Mr. Lam.

For further details of the assets to be acquired under the Acquisition Agreement, please refer to the paragraph headed "Information on the Target Group" below.

In addition, pursuant to the Acquisition Agreement, the Company undertakes in favour of the Vendors that, within 30 days after the execution of the Acquisition Agreement, the Company shall use its best endeavours to make a conditional offer to the Remaining Shareholders for the acquisition of the Remaining Shares, representing approximately 14% of the issued share capital of the Target. Please refer to the paragraph headed "Further terms of the offer to Remaining Shareholders" below for further details on the terms of the offer.

Consideration of the Acquisition

The total consideration of the acquisition of the Sale Shares and the Sale Loan is HK\$2,395,601,000 (subject to adjustments), which shall be satisfied by the Company in the following manner:

- (i) as to HK\$793,140,000 by the Company in cash from the proceeds of the Proposed Placing to the Vendors (or such person(s) as nominated by the Vendors) upon Completion;
- (ii) as to HK\$113,973,000 by the Company in cash upon Completion from any remaining proceeds of the Proposed Placing after deducting the amount payable under (i) above, and if there is any shortfall, such shortfall shall be satisfied upon Completion by the Company issuing the Third Tranche Promissory Notes to the Vendors (or such person(s) as nominated by the Vendors) such that the aggregate value of cash and the Third Tranche Promissory Notes (as applicable) received by the Vendors (or such person(s) as nominated by the Vendors) under this paragraph (b) amounts to HK\$113,973,000;
- (iii) as to HK\$1,022,338,000, by the Company allotting and issuing the 7,987,015,625 Consideration CPS to the Vendors (or such person(s) as nominated by the Vendors), credited as fully paid, at an issue price of HK\$0.128 per Consideration CPS upon Completion;

- (iv) as to HK\$233,645,000 (subject to the adjustment as set out under the paragraph headed “Exchange rate adjustment” below) by the Company issuing the First Tranche Promissory Notes to the Vendors (or such person(s) as nominated by the Vendors) upon Completion; and
- (v) up to HK\$232,505,000 (subject to the adjustment as set out under the paragraph headed “Earn-out” below), by the Company issuing the Second Tranche Promissory Notes to the Vendors (or such person(s) as nominated by the Vendors) upon delivery of the Accounts to the Company.

The consideration for the Sale Loan payable to Mr. Lam is HK\$1.0, which is to be satisfied by the Company in cash out of the sum payable under paragraph (i) above. After payment of HK\$1.0 to Mr. Lam for the assignment of the Sale Loan, the remaining balance of the consideration will be payable by the Company to each of the Vendors in a pro rata manner in accordance with its respective percentage in the interests of the Sale Shares. For the avoidance of doubt, the person(s) as nominated by the Vendors, if any, should be associates of the relevant Vendor.

When determining the Consideration of the Acquisition, the Directors confirm that the parties to the Acquisition Agreement have not assigned any value to the two Exploration Licences in respect of the Copper-Gold Mine and the Copper-Molybdenum-Gold Mine and the mining licences in respect of the Calcite Mine and the Copper Mine. Prior to the entering into of the Acquisition Agreement, the Company has obtained verbal indication of value in respect of the Target Group which includes only the mining licence in respect of the Molybdenum Mine and the existing factory and properties for the Board’s reference. 86% of such preliminary indication of value of the Target Group is estimated to be no less than the Consideration of the Acquisition. The Company currently has no immediate plans to further explore or develop the mining area in respect of the Exploration Licences but may undertake the exploration work as permitted under the Exploration Licences in the future. The Consideration of the Acquisition was determined on the basis of the foregoing and after arm’s length negotiations between the Company and the Vendors, which has taken into account, among other things (i) 86% of the valuation to be conducted by the Company on the Target Group or the Mines of the Target Group, being not less than the Consideration of the Acquisition, is a condition precedent to Completion; (ii) the Sale Loan will be assigned to the Company at a consideration of HK\$1.0; (iii) the established infrastructure of the mining operation and track record of the Target Group; (iv) the growth potential of the molybdenum mining business undertaken by the Target Group; (v) the Vendors have agreed jointly and severally under the Acquisition Agreement that the Target will be able to record audited consolidated net profits after taxation but before minority interests for a period of twelve months commencing from the first month immediately following the Completion Date and the adjustment mechanism on the Consideration of the Acquisition as detailed in the paragraph headed “Earn-out” under the section headed “Adjustments to Consideration of the Acquisition” below; and (vi) the cash portion of the consideration will be satisfied by proceeds of the Proposed Placing with the remaining portion (which represents a majority portion of the Consideration of the Acquisition) will be satisfied by the allotment and issue of the Consideration CPS and the Promissory Notes which does not require immediate cash outlays of the Company.

In determining the funding of the cash portion of the Consideration of the Acquisition by way of the Proposed Placing and satisfying part of the Consideration of the Acquisition by issuing the Consideration CPS with an initial conversion price representing a deep discount to the Company's share price, the Company has considered other fund raising methods like right issues and bank borrowings. However, given the financial position of the Company and the size of the Acquisition, it is unlikely for the Company to obtain bank borrowings with commercially reasonable terms so as to settle the Consideration of the Acquisition. Moreover, even if the Company is able to secure bank borrowings for the Acquisition, the interest expenses to be incurred by the Company in this regard could be substantial. The Company has therefore decided to settle the Consideration of the Acquisition, up to an amount of approximately HK\$1,929.5 million (subject to adjustment), by the placing proceeds generated from the Proposed Placing and issue of the Consideration CPS. The remaining portion of the Consideration of the Acquisition, being no less than the amount of approximately HK\$466.2 million (subject to adjustments), will be satisfied by way of the issue of the Promissory Notes. Except for the First Tranche Promissory Note, each of the Second Tranche Promissory Notes, Third Tranche Promissory Notes and Fourth Tranche Promissory Notes may or may not be issued or may only be issued at a partial amount upon or after Completion. For further details of the Promissory Notes, please refer to the paragraph headed "Promissory Notes" below. Despite the fact that the gearing ratio of the Company will be increased as a result of the issue of the Promissory Notes, it is expected that the Acquisition represents a valuable opportunity for the Company to participate in the mining business. Moreover, with the issue of the new Shares under the Proposed Placing and the Consideration CPS upon Completion, the Company's equity would be enhanced.

The Acquisition Cost of the Remaining Shares is HK\$282,000,000 which shall be satisfied by the Company firstly in cash, and if there is any shortfall, such shortfall shall be settled by the Company issuing the Fourth Tranche Promissory Notes to the Remaining Shareholders. The Company shall pay the Acquisition Cost of the Remaining Shares to the Remaining Shareholders in a pro rata manner in accordance with their respective percentage in the interests of the Remaining Shares. As regards the Acquisition Cost of the Remaining Shares to be offered by the Company to the Remaining Shareholders of HK\$282,000,000, the Directors confirmed that the price was set with reference to the Consideration of the Acquisition.

Given the Sale Shares represent approximately 86% of the issued share capital of the Target, upon completion of the acquisition of which the Target will become a non-wholly owned subsidiary of the Company and the results of the Target Group will be consolidated into the accounts of the Company. In other words, completion of the acquisition of the Sale Shares would enable the Company to obtain control of the Target whereas the acquisition of the Remaining Shares would merely further increase its shareholding interest in the Target. The respective consideration for the acquisition of the Sale Shares and the Remaining Shares is therefore not pro rated. As at the date of this announcement, the Company has not finalised the terms for the acquisition of the Remaining Shares with the Remaining Shareholders and such offer for the Remaining Shares pursuant to the Acquisition Agreement is no longer applicable as particularly described in the paragraph headed "Further terms of the offer to the Remaining Shareholders" below.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration of the Acquisition (including its form of payment) is fair and reasonable and it is in the interests of the Company and its shareholders as a whole to satisfy the Consideration of the Acquisition by way of cash proceeds from the Proposed Placing, issue of the Consideration CPS and the Promissory Notes.

Adjustments to Consideration of the Acquisition

Pursuant to the Acquisition Agreement, the Consideration of the Acquisition will be adjusted under the following circumstances:

Exchange rate adjustment

The Consideration of the Acquisition has been negotiated by the parties in RMB and converted into HK\$ based on the agreed exchange rate of HK\$1.13973 as equals to RMB1.00 (the “Agreed Exchange Rate”). If the exchange rate of HK\$ to RMB1.00 as quoted by Reuters at 11 a.m. on the date of Completion (the “Completion Exchange Rate”) increases or decreases (as the case may be) by not less than 2% when compared with the Agreed Exchange Rate by computation in accordance with the following formula:

$$A = \frac{(\text{Completion Exchange Rate} - \text{Agreed Exchange Rate})}{\text{Agreed Exchange Rate}} \times 100\%$$

where A is the change in percentage of the Agreed Exchange Rate when compared with the Completion Exchange Rate. For the avoidance of doubt, if A is greater than +5% (in case A is positive) or is less than -5% (in case A is negative), it shall be regarded as +5% or -5% (as the case may be) respectively in any event;

then the Consideration of the Acquisition shall be adjusted upwards or downwards (as the case may be) in accordance with the following formula:

$$Z = (\text{Consideration of the Acquisition}) \times A$$

where Z = addition or deduction of the Consideration of the Acquisition

Such adjustment shall be settled by adding or deducting (as the case may be) a sum equivalent to Z to or from (as the case may be) the principal sum of the First Tranche Promissory Notes upon Completion.

Earn-out

The Vendors have jointly and severally agreed under the Acquisition Agreement that the Target Group will be able to record audited consolidated net profits (the “First Year Net Profits”) after taxation but before minority interests for a period (the “Earn-out Period”) of twelve months commencing from the first month immediately following the Completion Date.

The Company agrees to issue the Second Tranche Promissory Notes to the Vendors with the outstanding principal sum in an amount equal to the lower of (i) the First Year Net Profits; and (ii) HK\$232,505,000. In case the Target Group records a loss for the Earn-out Period, the Company will not be required to issue the Second Tranche Promissory Notes to the Vendors.

Further terms of the offer to the Remaining Shareholders

The Remaining Shareholders comprised three parties which are all discretionary funds managed by unrelated entities, namely Stark Moly, SIG China Investments One, Ltd and Addgood Holdings Limited, holding aggregate of 138,867 shares of the Target, each of which is interested in 86,792 shares, 32,547 shares and 19,528 shares in the Target respectively. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Remaining Shareholders and their respective associates are third parties independent of and are not connected with the Company and its connected persons, and are independent to and not related to each other or the Vendors and their ultimate beneficial owners. As referred to above, the Company undertakes in favour of the Vendors that, within 30 days after the execution of the Acquisition Agreement, the Company shall use its best endeavours to make a conditional offer to the Remaining Shareholders for the acquisition of the Remaining Shares, representing approximately 14% of the issued share capital of the Target, at a total consideration of HK\$282,000,000 by way of cash and/or the Fourth Tranche Promissory Notes. The offer is open for acceptance for a period of 14 days from the date of the offer letter issued by the Company and it shall lapse unconditionally if the offer is not accepted in full by all the Remaining Shareholders after the expiry of such 14 day period. In any event, the acceptance (if any) of the offer by the Remaining Shareholders shall be conditional upon Completion. Completion of the acquisition of the Remaining Shares will take place at any time after Completion but not later than 30 days therefrom in a manner satisfactory to the Company. After the entering into of the Acquisition Agreement, the Company has informed the Remaining Shareholders of its intention to make the conditional offer to them and has invited them to discuss the conditional offer in more details. As at the date of this announcement, the Company has not finalised the terms with the Remaining Shareholders. As such, the Company considers its obligation under the Acquisition Agreement to use its best endeavour to make the offer for the Remaining Shares has been fulfilled and the offer for the Remaining Shares pursuant to the Acquisition Agreement is no longer applicable. The Company will use its best endeavours to continue to negotiate with the Remaining Shareholders on the proposed acquisition of the Remaining Shares and will, if required under the GEM Listing Rules, issue a separate announcement and (if required) obtain a separate Shareholders' approval when the proposed acquisition of the Remaining Shares is materialized.

Convertible Preference Shares

The principal terms of the Convertible Preference Shares to be issued by the Company are as follows:

Number of Convertible Preference Shares to be issued: 7,987,015,625 Consideration CPS in the aggregate principal amount of HK\$1,022,338,000 at an issue price of HK\$0.128 per Convertible Preference Share.

Conversion price: The Initial Conversion Price of a Convertible Preference Share is HK\$0.128.

The conversion price will be subject to adjustment on alteration to the nominal value of the Shares as a result of consolidation or subdivision.

Conversion rate: The number of Conversion Shares to be issued on each conversion shall be determined by dividing the aggregate issue price of the relevant Convertible Preference Shares (being HK\$0.128 per Consideration CPS) by the then conversion price applicable on the date of such conversion provided that no fraction of an Conversion Share arising on conversion shall be allotted.

Conversion rights: The Convertible Preference Shares are convertible at the option of the holder at any time commencing from the 6 months after the date of issue of the Convertible Preference Shares provided that no conversion of the Convertible Preference Shares shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (2) to the extent that following such exercise, the relevant Convertible Preference Shareholder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); or (3) if immediately after such conversion, the Shares in public hands shall fall below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.

Rights to income and participation
rights in issue of Shares:

Holder of each Convertible Preference Share shall at all times be entitled to, and shall be paid dividends of the same amount and at the same time as are paid with respect to Shares, and each Convertible Preference Share shall for this purpose be deemed to be equal to the number of Shares into which it can be converted upon exercise of conversion rights attached thereto on the record date for such dividend.

If and whenever the Company makes any offers by way of rights and/or issue by way of bonus of Shares, securities carrying rights to subscribe for, convert or exchange into Shares or voting rights or other shares or rights carrying the right to acquire same voting rights, or debt securities without rights converting into Shares and voting rights (“Offered Securities”) to all the Shareholders, Convertible Preference Shares, securities carrying rights to subscribe for, convert or exchange into Convertible Preference Shares of other shares or rights carrying the right to acquire same voting rights or debt securities without rights converting into shares and voting rights shall be offered and/or issued to Convertible Preference Shareholders at the same time and on the same terms as the Offered Securities are offered and/or issued to the Shareholders. The issue of such securities to the Convertible Preference Shareholders may constitute connected transactions on the part of the Company under the GEM Listing Rules. In any events, the Company will be subject to compliance with the relevant GEM Listing Rules, and the Company has undertaken to comply the relevant GEM Listing Rules in this respect under the terms of the Convertible Preference Shares.

Redemption:

The Convertible Preference Shares are non-redeemable.

Return of capital:

Holder of each Convertible Preference Shares shall have priority to a return of capital of an amount equal to the aggregate of the nominal amount paid up or credited as paid up on all the outstanding Convertible Preference Shares (pro rata to the aggregate of the nominal amounts of the Convertible Preference Shares held by each such holder) and as regards the balance of the assets of the Company, holder of each Convertible Preference Share shall at all times be entitled to return of capital of the same amount and at the same time as are paid with respect to Shares, and each Convertible Preference Share shall for this purpose be deemed to be equal to the number of Shares into which it can be converted upon exercise of conversion rights attached thereto on the record date for such return of capital.

Voting:	Holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
Listing:	The Convertible Preference Shares are not listed on any stock exchanges.
Issue price:	The issue price of each Convertible Preference Share is HK\$0.128.
Transferability:	Where any Convertible Preference Share is intended to be transferable to a connected person of the Company (other than the associates (as defined in the Listing Rules) of the holder of the transferring Convertible Preference Shares), such transfer shall comply with the requirements under the GEM Listing Rules and/or requirements imposed by the Stock Exchange (if any). Subject to the above, the Convertible Preference Shares are freely transferrable.
Ranking:	The Convertible Preference Shares shall rank in priority to the Shares as to a distribution of assets of the Company on a return of capital on dissolution, liquidation or winding up or otherwise. The Conversion Shares shall upon issue rank pari passu in all respects with all other Shares as at the date of conversion.

Pursuant to terms of the Convertible Preference Shares, 7,987,015,625 Conversion Shares will be allotted and issued by the Company upon the exercise in full of the conversion rights attaching to the Consideration CPS at the Initial Conversion Price. The 7,987,015,625 Conversion Shares to be allotted and issued upon full conversion of the Consideration CPS at the Initial Conversion Price represents (i) approximately 10.12 times of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 91.00% of the issued share capital of the Company as enlarged by the allotment and issue of the 7,987,015,625 Conversion Shares upon conversion of the Consideration CPS in full at the Initial Conversion Price.

The Conversion Shares will be issued under a specific mandate proposed to be obtained at the EGM.

Initial Conversion Price

The Initial Conversion Price for the Convertible Preference Shares was determined after arm's length negotiations between the Company and the Vendors, and represents:

- (i) a discount of approximately 53.5% to the closing price of the Shares of HK\$0.2750 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 57.3% to the average of the closing prices of the Shares of HK\$0.2995 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day;
- (iii) a discount of approximately 60.6% to the average of the closing prices of the Shares of approximately HK\$0.3245 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 782.8% over the audited net assets attributable to equity holders of the Company as at 31 December 2009 of approximately HK\$0.0145 per Share.

The Consideration of the Acquisition, including the Initial Conversion Price, was determined after arm's length negotiations between the Vendors and the Company and taking into account the factors considered as set out under the paragraph headed "The Consideration of the Acquisition" under the section headed "The Acquisition Agreement" above in this announcement. Moreover, although the Initial Conversion Price represents a discount of approximately 53.5% to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day, it also represents a significant premium of approximately 782.8% over the audited net assets attributable to equity holders of the Company as at 31 December 2009. In considering the fairness and reasonableness of the Initial Conversion Price, the Board has also taken into consideration that the Consideration CPS has the same dividend rights as the Shares and are non-redeemable both of these features have allowed the Company not to incur any cash outlay in respect of finance costs. Based on the aforesaid and taking into account the substantial number of Conversion Shares to be issued upon conversion of the Consideration CPS, the Directors (including the independent non-executive Directors) consider that the Consideration of the Acquisition, including the Initial Conversion Price, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attached to the Consideration CPS.

Promissory Notes

As stated in the paragraph headed "Consideration of the Acquisition" and "Further terms of the offer to the Remaining Shareholders" above, the Company may issue up to three tranches of promissory notes to the Vendors as part of the Consideration of the Acquisition and the Fourth Tranche Promissory Notes to the Remaining Shareholders as Acquisition Cost of the Remaining Shares.

The principal terms of each of the First Tranche Promissory Notes, the Second Tranche Promissory Notes and the Third Tranche Promissory Notes are set out as follows:

First Tranche Promissory Notes

Principal amount:	HK\$233,645,000 (subject to the adjustment as set out under the paragraph headed “Exchange rate adjustment” above)
Maturity date:	the date falling on the second anniversary of the issue date of the First Tranche Promissory Notes
Interest rate:	2% interest per annum
Security:	unsecured
Issue date:	upon Completion

Second Tranche Promissory Notes

Principal amount:	a maximum of HK\$232,505,000 (depending on the actual amount of the First Year Net Profits, and if the actual amount of the First Year Net Profits is zero or below, it is not required for the Company to issue the Second Tranche Promissory Notes)
Maturity date:	the date falling on the fifth anniversary of the Completion Date
Interest rate:	2% interest per annum
Security:	unsecured
Issue date:	on or before the day falling on 4 months after expiry of the Earn-out Period

Third Tranche Promissory Notes

Principal amount:	a maximum of HK\$113,973,000 (depending on if there is any shortfall on the proceeds from the Proposed Placing for the settlement of this amount)
Maturity date:	the date falling on the sixth month from the issue date of the Third Tranche Promissory Notes

Interest rate:	non-interest bearing
Security:	unsecured
Issue date:	upon Completion

As detailed in the paragraph headed “Further terms of the offer to the Remaining Shareholders” above, the offer for the Remaining Shares pursuant to the Acquisition Agreement is no longer applicable. For information purpose, set out below is a summary of the proposed terms of the Fourth Tranche Promissory Notes:

Fourth Tranche Promissory Notes

Principal amount:	a maximum of HK\$282,000,000 (depending on if there is any shortfall (after deducting the cash payment) on the amount of the Acquisition Cost of the Remaining Shares)
Maturity date:	the date falling on the sixth month from the issue date of the Fourth Tranche Promissory Notes
Interest rate:	5% interest per annum
Security:	unsecured
Issue date:	to be agreed by the parties, but it is expected to be upon completion of the acquisition of the Remaining Share which shall take place at any time after Completion but not later than 30 days therefrom in a manner satisfactory to the Company

Taking into account that the current Hong Kong prime rate is above 5%, the Directors consider that the interest rate of 2% for the First Tranche Promissory Notes and Second Tranche Promissory Notes, zero interest rate for the Third Tranche Promissory Notes and the interest rate of 5% for the Fourth Tranche Promissory Notes are fair and reasonable.

Since the Second Tranche Promissory Note will mature in five years from the date of Completion, the Company considered that they have sufficient time to source the funding for the repayment. The Third Tranche Promissory Note will only be issued in case the Proposed Placing cannot cover the full additional amount of HK\$113,973,000 and it will mature in six months’ time. In other words, with the Acquisition being completed, the Company has another six months time which the Directors consider to be sufficient, to raise the required amount of HK\$113,973,000 for repayment purposes. Moreover, it is expected that the Target Group would generate income for the Group to settle part or all of the outstanding amount due under the Third Tranche Promissory Notes.

Moreover, in considering that the Target Group is in operation and currently generating cash flow, the Directors consider that the Group's financial position would be enhanced upon completion of the Acquisition and it would be less difficult for the Group to raise further funds (including but not limited to bank borrowings, rights issues and placing of new shares), as compared to the present circumstances.

Conditions precedent

Completion shall be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

- (i) all necessary consents, approvals and authorizations required to be obtained on the part of the Company having been obtained from all relevant authorities in all applicable jurisdiction in connection with the transactions contemplated under the Acquisition Agreement, the implementation of the transactions contemplated thereunder and all other matters incidental thereto;
- (ii) the Company being reasonably satisfied with the results of the due diligence review and investigation on the Target Group;
- (iii) the Company having received a legal opinion (in the agreed form) issued by Commerce & Finance Law Office in respect of the PRC Subsidiaries and the Acquisition Agreement and the transactions contemplated thereby (including but not limited to (a) the PRC Subsidiaries due and proper incorporation/establishment and valid existence under the laws of the PRC; (b) the power and authority of the PRC Subsidiaries to carry on their business as set forth in the constitutional documents of the PRC Subsidiaries; (c) the ownership of the PRC Subsidiaries; and (d) any other matter as may reasonably be required by the Company);
- (iv) the Company having received a technical report (in the agreed form) issued and prepared in compliance with the requirements under the GEM Listing Rules by Minarco Mineconsult in relation to the state and condition of the mining business and the mining and exploration rights of the PRC Subsidiaries;
- (v) the Company having received a valuation report (in the agreed form and substance satisfactory to the Company) from an independent valuer in respect of the Valuation, 86% of the fair market value of which shall be no less than the Consideration of the Acquisition;
- (vi) the passing, and the Vendors having received a copy, certified as true and complete by a Director, of the resolutions of Shareholders at an extraordinary general meeting approving, among other things, (a) the Acquisition Agreement, and (b) the transactions contemplated thereunder (including without limitation the Capital Increase, the creation and issue of the Convertible Preference Shares, the issue of the First Tranche Promissory Note, Second Tranche Promissory Note and the Third Tranche Promissory Note (if required), and the amendment of the constitutional documents of the Company to reflect the terms of the Convertible Preference Shares (if required)) in accordance with the relevant requirements of the GEM Listing Rules and all applicable laws;

- (vii) the Capital Increase having become effective;
- (viii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Conversion Shares;
- (ix) the Shares remaining listed on GEM at all times prior to and on Completion and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 15 Business Days (other than any suspension due to the clearance of the announcement in respect of the transactions contemplated under the Acquisition Agreement) and no indication being received at or before Completion from the Stock Exchange or the Securities and Futures Commission to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Acquisition Agreement or for any other reason;
- (x) completion of the Proposed Placing in a manner reasonably satisfactory to the Company;
- (xi) all necessary consents, approvals and authorisations required to be obtained on the part of the Vendors and the Target Group having been obtained from all relevant authorities in the PRC and in any other applicable jurisdiction in connection with the transactions contemplated under the Acquisition Agreement, the implementation of the transactions contemplated thereunder and all other matters incidental thereto;
- (xii) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restrict or prohibit the implementation of the transactions contemplated in the Acquisition Agreement;
- (xiii) the Vendors' warranties given in the Acquisition Agreement remain true and not misleading in all material respects and there being no event existing or having occurred which would constitute a material breach of the Vendors' warranties;
- (xiv) the Company's warranties given in the Acquisition Agreement remain true and not misleading in all material respects and there being no event existing or having occurred which would constitute a material breach of the Company's warranties;
- (xv) the Vendors having received a legal opinion (in the agreed form) issued by a legal advisor of the Cayman Islands in respect of the due establishment and subsistence of the Company, the legality, validity and enforceability of the Acquisition Agreement upon signing by the Company and the legality and validity of the performance of the Acquisition Agreement by the Company (including but not limited to the allotment and issue of the Convertible Preference Shares);
- (xvi) the Vendors being reasonably satisfied with the results of the due diligence review and investigation on the Group;

- (xvii) completion of a reorganization to be conducted by the Target Group in a manner satisfactory to the Company such that the PRC Subsidiaries will be the only three companies in which the Target is beneficially interested in after completion of such reorganization;
- (xviii)(if applicable) the Company having obtained the approval(s) of the relevant governmental authorities of the Cayman Islands in respect of the issue and allotment of the Convertible Preference Shares by the Company and, if applicable, the Capital Increase; and
- (xix) discharge or resolution or settlement of the Proceedings in a manner satisfactory to the Company.

The Company may at any time waive in writing the conditions set out in (ii), (iii) and/or (xiii) above. The Vendors may at any time waive in writing the conditions set out in (xiv), (xv) and/or (xvi) above. None of the conditions set out in (i), (iv) to (xii) and (xvii) to (xix) above are capable of being waived by the Vendors or the Company. If any of the conditions set out above have not been satisfied (or, as the case may be, waived) on or before 31 March 2011 (the “Longstop Date”), the Company shall have the sole and absolute discretion to extend the Longstop Date by a further period of three months, and if at the expiry of this extended period the conditions set out above have not been satisfied (or, as the case may be, waived) and the period has not been further extended by mutual agreement between the Vendors and the Company, the Acquisition Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof. If the Company does not exercise the discretion to extend the Longstop Date in the manner as aforesaid, the Acquisition Agreement shall cease and determine upon expiry of the Longstop Date and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The PRC legal opinion to be received by the Company as set out in condition (iii) above will also include, among other things, (i) whether the Company’s investment in the Target Group has violated the Guiding Catalogue (as defined below under the paragraph headed “Risk Factors”) regarding the investment in molybdenum industry; and (ii) the ownership of the processing plant and the Mines.

The valuation report to be prepared by the independent valuer in respect of the Valuation under condition (v) above will cover the mining licences in respect of the Molybdenum Mine, the Calcite Mine, the Copper Mine, and the Exploration Licences in respect of the Copper-Gold Mine and the Copper-Molybdenum-Gold Mines. Moreover, pursuant to the terms of the Acquisition Agreement, the Group has the sole discretion to determine whether it is satisfied with the form and substance of the valuation report. According to condition (v) above, Completion will not take place if 86% of the Valuation is less than the Consideration of the Acquisition.

For condition (iv) above, the technical report to be prepared by the independent competent persons (who are able to meet the requirements under Chapter 18A of the GEM Listing Rules) will cover the Molybdenum Mine, the Calcite Mine, the Copper Mine, and the Exploration Licences in respect of the Copper-Gold Mine and the Copper-Molybdenum-Gold Mines.

In order to satisfy part of the Consideration of the Acquisition, the Company proposed to raise not less than HK\$793,140,000 by way of placing of new Shares or Convertible Preference Shares to certain investors. The Acquisition and the Proposed Placing will be inter-conditional with each other. The proceeds from the Proposed Placing of not less than HK\$793,140,000 will be used for the satisfaction of Consideration of the Acquisition, and such placing shall be conducted in a manner satisfactory to the Company and may be conducted in several tranches. Further details of the Proposed Placing (including the conditions precedent thereof) will be set out in a separate announcement to be made by the Company when formal terms have been agreed.

Completion

Completion shall take place on the date falling three Business Days after all the conditions under the Acquisition Agreement having been fulfilled or waived by the relevant parties or such other date as the Vendors and the Company may agree in writing. Upon Completion and assuming the Company could not acquire the Remaining Shares from the Remaining Shareholders, the Target will become an approximately 86%-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the consolidated financial statements of the Company.

Considering that the IT Business may not provide good prospect to the Group, the Company therefore proposes to participate in the mining business by way of the Acquisition which represents a valuable business opportunity to the Group. However, the mining operation may pose various risks to the Group (a summary of such risk factors are summarized under the paragraph headed “Risks Factors” in the Announcement) and therefore the Group intends to concurrently continue its existing IT Business while developing the new mining business.

As a result, subsequent to Completion, the business scope of the Group will extend to the mining business in the PRC. Given the existing management of the Company does not have relevant experience in the mining business, key management and employees of the Target Group will be retained to continue to operate the Target Group after Completion. Pursuant to the Acquisition Agreement, (i) Mr. Lam shall enter into a non-competition and non-solicitation agreement (in the form as agreed between the Company and the Vendors) with the Company on or before the Completion, where Mr. Lam shall undertake to the Company not to engage or be interested in any business that is similar to or in competition with the business from time to time carried on by the Target Group; and (ii) each of the Vendors shall procure the execution of employment agreements (in the agreed form) with the Company and/or the Target Group by certain key employees of the Target Group whose biography is set out under the sub-section headed “Key employees of the Target Group” under “Information on the Target Group” before or upon the Completion.

Lock-up

Each of the Vendors jointly and severally undertakes that during the six months from the date of allotment and issue of the Consideration CPS by the Company to the Vendors (the “Lock-up Period”), it shall not (or shall procure its nominee(s) and associates not to) sell, realize, transfer or otherwise dispose of (including without limitation to the creation of any option over or pledge or charge as security) any of (i) the Consideration CPS allotted and issued to it (or its nominee(s)) and (ii) the equity interest in any company(ies) which hold(s) any of the Consideration CPS. Moreover, each of the Vendors (if it is a corporation) shall ensure that its board of directors will not permit or register the transfer of its shares during the Lock-up Period so long as it holds any Consideration CPS. For the avoidance of doubt, each of the Vendors (or its nominee(s)) shall be free after the Lock-up Period to sell, realize, transfer or otherwise dispose of (including without limitation to the creation of any option over or pledge or charge as security) Consideration CPS allotted and issued to it (or its nominee(s)).

The aforesaid lock-up is not applicable to the Conversion Shares. However, according to the terms of the Convertible Preference Shares, the Convertible Preference Shares (including the Consideration CPS) are not convertible into Conversion Shares during the period of six months starting from the date of allotment and issue of such Convertible Preference Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the possible effects of the Acquisition on the shareholding structure of the Company, before taking into account of the effect of the Proposed Placing and assuming that there are no other changes in the shareholding structure of the Company:

	As at the date of this announcement		Scenario 1: Assuming 336,597,646 Convertible Preference Shares are converted into Conversion Shares such that the aggregate number of Shares held by the Vendors will be less than 30% of the then issued share capital of the Company		Scenario 2: For illustration purpose only, assuming the Consideration CPS are issued (being 7,987,015,625 Convertible Preference Shares) and converted in full	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Aplus Worldwide Limited (Note 1)	73,782,000	9.35	73,782,000	6.55	73,782,000	0.84
Vendors (Note 2)	–	0.00	336,597,646	29.90	7,987,015,625	91.00
Public Shareholders	715,364,990	90.65	715,364,990	63.55	715,364,990	8.16
Total	<u>789,146,990</u>	<u>100.00</u>	<u>1,125,744,636</u>	<u>100.00</u>	<u>8,776,162,615</u>	<u>100.00</u>

Notes:

- 1 *Aplus Worldwide Limited is owned as to 42% interest in the issued share capital by Mr. Fung Pak Chuen, Alphonso, a non-executive Director.*
- 2 *The Vendors are parties acting in concert in respect of the Shares. It is a term of the Convertible Preference Shares that (a) any conversion of the Convertible Preference Shares shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Preference Shares which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (b) any conversion of the Convertible Preference Shares shall not render Shares held in public hands being less than the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange. Accordingly, scenario 2 is presented for illustration purpose only and will not happen in light of the restrictions imposed under the terms of the Convertible Preference Shares and the exercise of conversion rights attached to the Convertible Preference Shares will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.*

INFORMATION ON THE TARGET GROUP

Set out below is the background information of the Target Group, the Mines, the shareholding structure, financial information and the key employees of the Target Group based on the information provided by the Vendors:

1. Background information

Target

The Target, incorporated in Hong Kong with limited liability on 9 June 2005, is an investment holding company with authorised and issued share capital of HK\$1,000,000. The principal asset of the Target is its investment in 95% equity interest in Wanbaoyuan, a company incorporated in the PRC, which in turn holds (i) 100% interest in Sanwang, a company incorporated in the PRC, (ii) 100% interest in Dalei, a company incorporated in the PRC, and (iii) 100% interest in 萬寶源選礦有限公司 (Wanbaoyuan Processing Co. Ltd.*) a company incorporated in the PRC. As advised by the Vendors, 萬寶源選礦有限公司 (Wanbaoyuan Processing Co. Ltd.*) is a dormant company incorporated in the PRC with limited liability and has no business operation or asset. Pursuant to the terms of the Acquisition Agreement and as a condition precedent to Completion, the Target Group will conduct a reorganisation such that the Target will be holding only the PRC Subsidiaries, namely Wanbaoyuan, Sanwang and Dalei after completion of such reorganisation.

Wanbaoyuan

Wanbaoyuan is incorporated in the PRC with limited liability on 17 August 2006 with registered capital of RMB200,000,000. Wanbaoyuan is located in Kuandian County, Liaoning Province, the PRC, and is beneficially owned as to 95% by the Target and 5% by Xiamen Weihuang, an Independent Third Party, and is principally engaged in the business of mining of molybdenum and processing of molybdenum, copper concentrate, iron, lead and zinc. Wanbaoyuan currently is the registered holder of mining licence in respect of the Molybdenum Mine and owns a copper production facility with a daily processing capacity of 240 tpd. Furthermore, Wanbaoyuan operates a gold and copper concentrate production facility with a daily processing capacity of 160 tpd through leasing of a copper concentrate production facility and certain equipment used to produce copper concentrate from copper ore supplied by a gold and copper mine wholly-owned by Kuandian Manchu Autonomous County TaiChang Gold Copper Mine (寬甸滿族自治縣泰昌金銅礦), which is ultimately owned by the People's Government of the Kuandian Manchu Autonomous County.

Sanwang

Sanwang is incorporated in the PRC with limited liability on 16 August 2005 with registered capital of RMB5 million. Sanwang is located in Kuandian County, Liaoning Province, the PRC, and is a wholly-owned subsidiary of Wanbaoyuan and is principally engaged in processing of copper and molybdenum concentrate. The molybdenum processing plant produces molybdenum concentrate and has a daily ore processing capacity of 3,000 tpd.

Dalei

Dalei is incorporated in the PRC with limited liability on 14 January 2005 with registered capital of RMB11.5 million. Dalei is located in Kuandian County, Liaoning Province, the PRC, and is a wholly-owned subsidiary of Wanbaoyuan and is principally engaged in mining and processing of copper, calcite and iron concentrate. Dalei is the registered holder of two mining licences in respect of the Copper Mine and the Calcite Mine respectively, and two exploration licences in respect of the Copper-Gold Mine and Copper-Molybdenum-Gold Mine respectively and owns a copper and iron processing plant with a daily processing capacity of 300 tpd that processes the Target Group's copper ore.

2. The Mines

Molybdenum Mine

The Molybdenum Mine is located in 寬甸縣振江鎮萬寶村 (KuanDian County ZhenJiang Town WanBao Village*) and is readily accessible through a paved road. The mining licence numbered 2100000820564 in respect of the molybdenum deposits in the Molybdenum Mine covers an area of 0.46 sq. km. and is valid until 11 June 2023. As advised by the Vendors, the mining activity of the Molybdenum Mine has been started since 1995. Under such mining licence, the Target Group is permitted to have an annual production of 990,000 tonnes through underground mining. For each of the years ended 31 December 2008 and 2009, 389,892t and 174,209t molybdenum ore were extracted from the Molybdenum Mine respectively. According to a draft report prepared by Minarco-MineConsult, the mineral resource estimate of the Molybdenum Mine as at May 2008 prepared under the Chinese Resource Reporting guidelines has identified a total of approximately 71.4 Mt of mineral resources at an average molybdenum grade of approximately 0.120%, which includes approximately 0.7Mt of 121b classified resource with average molybdenum grading of 0.168%, approximately 14.5Mt of 122b classified resource with an average molybdenum grading of 0.152%, with the balance either 332 or 333 classification. It was further reported in the draft report prepared by Minarco-MineConsult that the Molybdenum Mine has an approximate JORC equivalent measured resource of 15.2Mt with an average Mo grade of 0.151%, indicated resource of 24.1 Mt with an average Mo grade of 0.127% and inferred resource of 32.1 Mt with an average Mo grade of 0.100% as at May 2008 and JORC equivalent reserves of 28,318 kt (including proven reserves of 620 kt and probable reserves of 27,698 kt) with an average grade of 0.126% as at June 2008.

Calcite Mine

The Calcite Mine is located in 寬甸縣振江鎮萬寶村 (KuanDian County ZhenJiang Town WanBao Village*) and is readily accessible through a paved road. The mining licence numbered 2106000830138 in respect of the calcite deposits in the Calcite Mine covers an area of 0.117 sq. km. and is valid until July 2011. As advised by the Vendors, no mining activities have been conducted by the Target Group on the Calcite Mine. Under such mining licence, the Target Group is permitted to have an annual production of 10,000 tonnes through open-pit mining. Based on a report issued by 寬甸國豐礦產勘查開發有限責任公司 (Kuandian Guofeng Mineral Exploration and Exploitation Co. Ltd.*) on March 2009, it is estimated that the Calcite Mine has an estimated resources of approximately 768.4kt including (i) an indicated reserve of iron brass of approximately 143.8 kt; (ii) an inferred resources of iron brass of approximately 180.8kt with average grading for copper of 0.65% and for iron 18.6%; and (iii) an inferred resources of calcite of approximately 444.0kt under New Chinese Resource/Reserve Categories (1999).

Copper Mine

The Copper Mine is located in 寬甸縣振江鎮萬寶村 (KuanDian County ZhenJiang Town WanBao Village*) and is readily accessible through a paved road. The mining licence numbered 2100000820684 in respect of the copper deposits in the Copper Mine covers an area of 0.094 sq. km. and is valid until 9 February 2013. As advised by the Vendors, no mining activities have been conducted by the Target Group on the Copper Mine. Under such mining licence, the Target Group is permitted to have an annual production of 10,000 tonnes through underground mining. Based on a report issued by 寬甸國豐礦產勘查開發有限責任公司 (Kuandian Guofeng Mineral Exploration and Exploitation Co. Ltd.) on March 2009, it is estimated that the Copper Mine has an inferred resources of iron brass of approximately 147,000t with average grading of 0.91% under New Chinese Resource/Reserve Categories (1999). According to the Vendors, there has been no updated technical reports available for the Calcite Mine and the Copper Mine since March 2009.

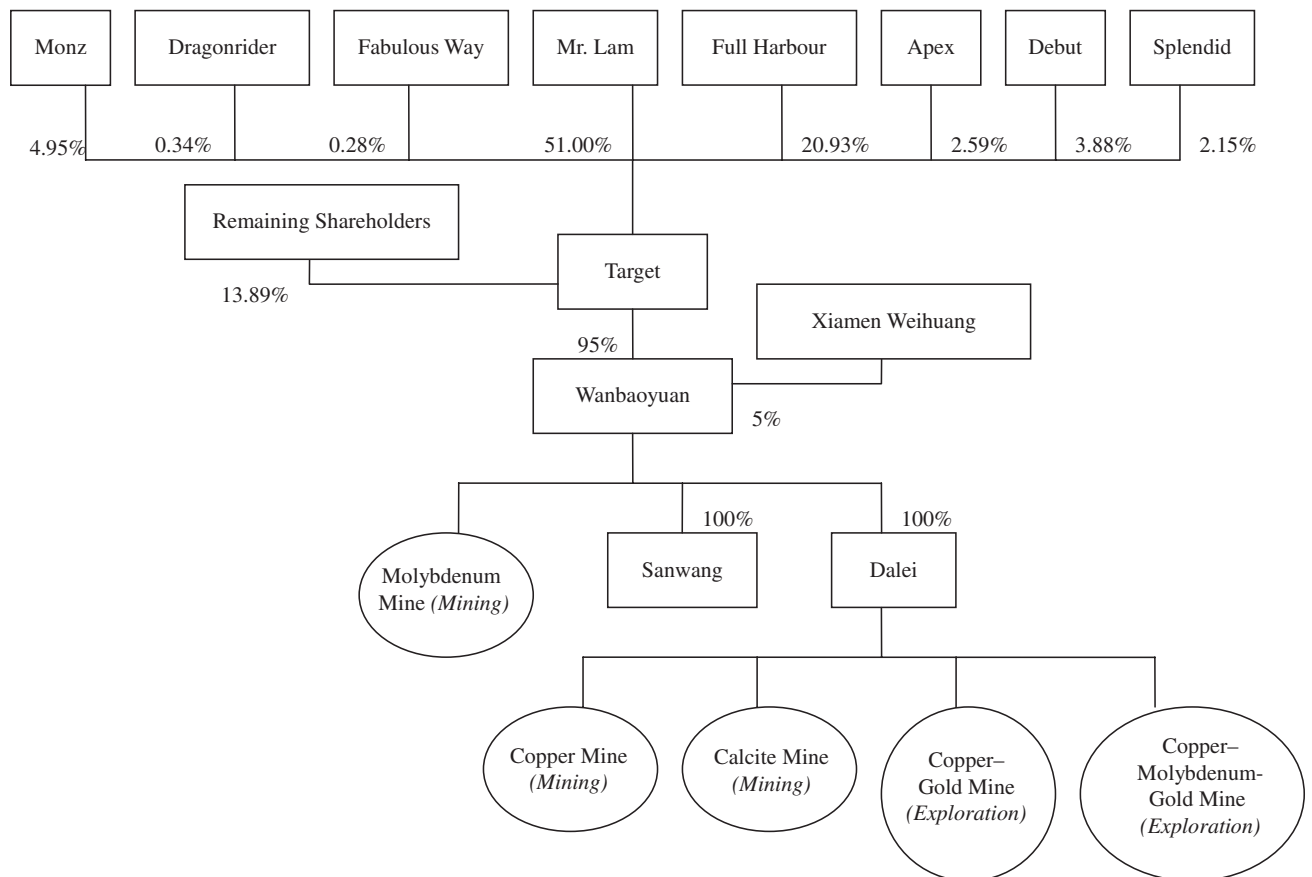
Other licences

The Target Group also holds the Exploration Licences (with licence number T21120100202038858 and T21120080602008891 respectively) for the copper and gold in the Copper-Gold Mine and the copper, molybdenum and gold deposit in the Copper-Molybdenum-Gold Mine which are located in 寬甸縣振江鎮萬寶村 (KuanDian County ZhenJiang Town WanBao Village*). The mines can be accessed through a paved road. The exploration licence in respect of the Copper-Gold Mine covers an area of 9.63 sq. km. and is valid until 8 February 2012, while the exploration licence in respect of the Copper-Molybdenum-Gold Mine covers an area of 6.33 sq. km. and is valid until 12 August 2010. At present, the Company has no plans to further explore or develop the mining area in respect of the Exploration Licences.

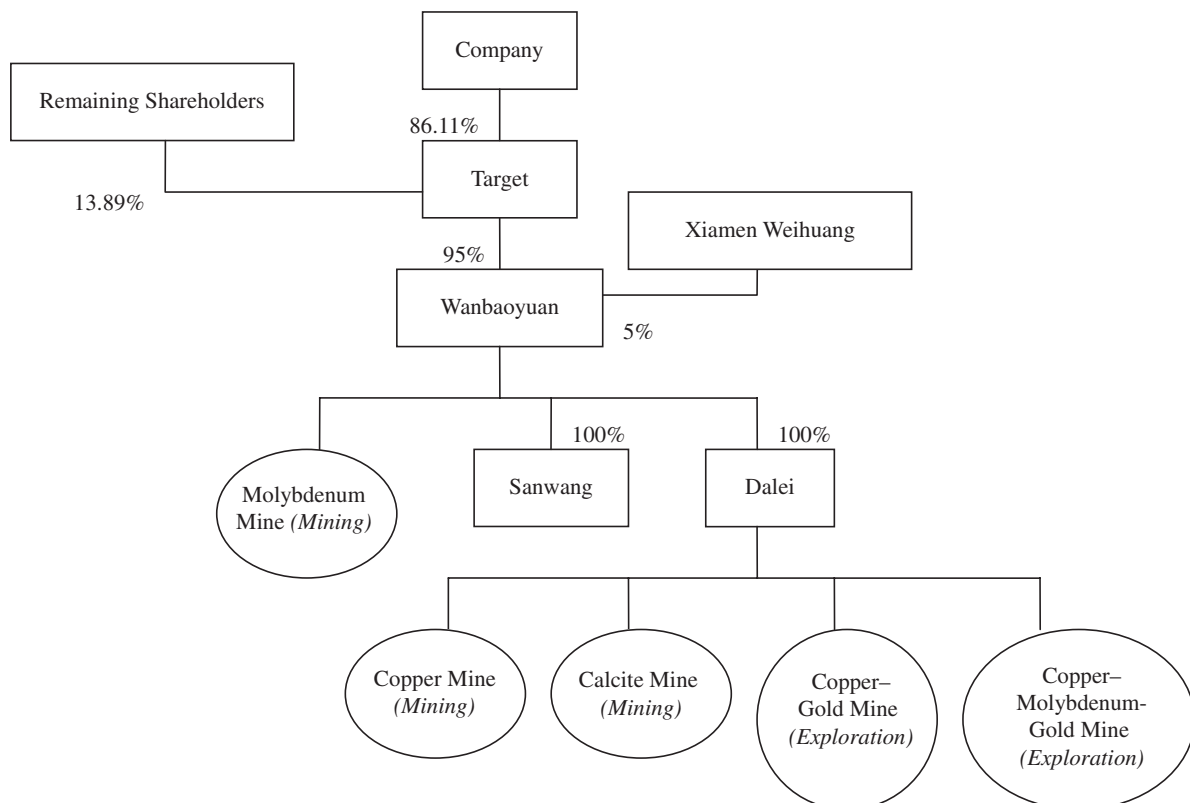
3. Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group immediately before and after Completion and after completion of the acquisition of the Remaining Shares assuming all of the Remaining Shareholders will accept the offer to be given by the Company to purchase the Remaining Shares, before taking into account of the effect of the Proposed Placing:

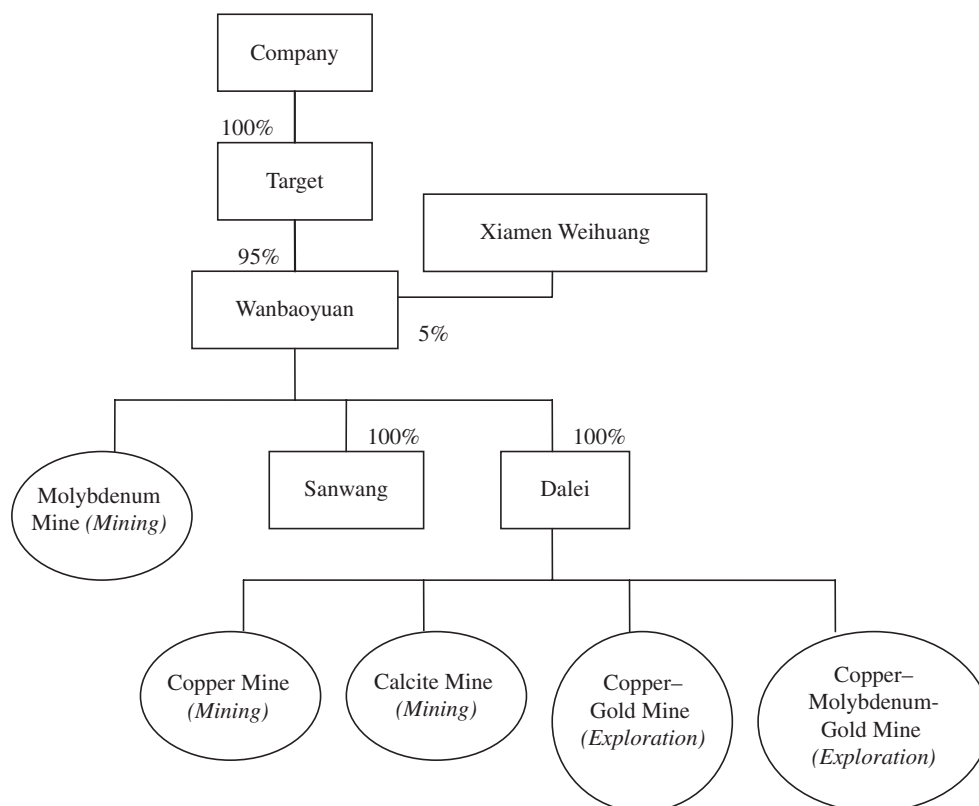
Shareholding structure of the Target Group immediately before Completion



Shareholding structure of the Target Group immediately after Completion



Shareholding structure of the Target Group immediately after (i) Completion and (ii) completion of the acquisition of the Remaining Shares



4. Financial information for the Target Group

The Target is an investment holding company incorporated in Hong Kong with limited liability on 9 June 2005. The unaudited consolidated financial information of the Target for the two years ended 31 December 2009 and the four months ended 30 April 2010 prepared based on Hong Kong Financial Reporting Standards is as follows:

	For the year ended 31 December 2008 (approximately HK\$'000)	For the year ended 31 December 2009 (approximately HK\$'000)	For the four months ended 30 April 2010 (approximately HK\$'000)
Turnover	160,293.1	79,111.2	17,260.1
Profit before taxation	99,584.1	44,822.2	6,167.4
Profit after taxation	80,336.5	41,043.1	4,859.1

As at 30 April 2010, the unaudited consolidated net assets of the Target amounted to approximately HK\$309.8 million, including property, plant and equipment of approximately HK\$244.3 million and amounts due to its shareholders of approximately HK\$255.8 million.

As illustrated above, the turnover recorded by the Target Group has dropped from approximately HK\$160.3 million in the 2008 financial year to approximately HK\$79.1 million in the 2009 financial year, representing a drop of approximately 50.7%. As advised by the Vendors, the PRC Subsidiaries were suspended from production from September 2008 since all non-coal mining activities in Kuandian County were required by the local government of Kuandian County to be suspended until, among other things, such companies have passed a three-stage-examination conducted by an investigation team supervised by the local government of Zhenjiang Town, Kuandian County and Dandong City. In this connection, the operations of the PRC Subsidiaries have been stopped for conducting the examination by the investigation team. Following the inspection, each of the PRC Subsidiaries has passed the three-stage-examination and each of Wanbaoyuan, Dalei and Sanwang received notification on 11 November 2008, 11 November 2008 and 14 March 2009 respectively confirming that their respective production can be restored. However, in view of the tumble in the market price of molybdenum in late 2008 as described under the section headed “Reasons for the Acquisition” below, the Target Group decided to continue the suspension of their molybdenum production and only recommenced partial of the copper production in April 2009 and molybdenum production in July 2009.

5. Key employees of the Target Group

Pursuant to the Acquisition Agreement, the Company and/or the Target Group will enter into employment agreements with the following key employees of the Target Group on or before Completion:

Name	Position held in the Target Group	Date of joining the Target Group	Relevant experiences
Mr. Lam Fung	Chairman and executive director of the Target	December 2006	Mr. Lam has extensive experience as a manager and investor in the construction sectors. He is an experienced project manager and has been involved in the engineering project regarding the establishment by the Hong Kong Furama Hotel of Furama Hotel in Shenyang. In addition, Mr. Lam has participated in the project development of the Xin Do Hotel, and the commercial property development projects for various commercial buildings in Nanning, Xiamen and Huixing.

Name	Position held in the Target Group	Date of joining the Target Group	Relevant experiences
Mr. Lin Jie	Chairman of Wanbaoyuan	August 2006	From 1997 to 2006, Mr. Lin held the position of general manager at a real estate development company. Between 1992 and 1997, Mr. Lin has over 25 years of working experience in real estate construction and decoration engineering.
Mr. Fan Hongyun	Chief engineer	October 2008	Mr. Fan has extensive engineering and management experience in mining technology. During the period from 1989 to 2008, he was the technician, engineer, team leader of mining technology, section head of mining division, section head of production, deputy director of safety division, deputy director of production division and technical director of a mining company.
Mr. Ma Liansen	Head of production	August 2006	Mr. Ma has more than 52 years' experience as a technician and engineer in the mining sector, during which he has published a number of articles on non-ferrous metals in local and international journals.
Mr. Peng Guozhong	Geological consultant	July 2007	Mr. Peng has over 36 years' experience in the mining industry and is highly experienced in mining exploration and has discovered several major mineral deposits in the Xiangxi area and has made significant contributions to the development of the mining industry in the Hunan area. Since 1993, Mr. Peng has been entitled to special governmental allowances for his contribution in the industry.

Name	Position held in the Target Group	Date of joining the Target Group	Relevant experiences
Mr. Wong King Chung	Chief financial officer	April 2008	Mr. Wong was financial controller from January 2006 at a company listed on Bursa Malaysia. Mr. Wong has over 15 years of working experience in the accounting and finance industry.
Mr. Ma Xueyin	Mining engineer	July 2009	Mr. Ma has over 20 years of mining experience and extensive engineering experience.
Mr. Wang Zhifang	Mining engineer	November 2009	Mr. Wang has over 40 years of mining experience. He has also published various research papers on mining engineering.
Mr. Xu Ruining	Deputy CEO and general manager of general services	March 2008	Mr. Xu has worked in the electric engineering in different industries for almost 37 years.
Mr. Xu Hongbo	General manager of mechanical electric engineering and equipment	August 2006	Mr. Xu has over 31 years' experience in the mining industry. Mr. Xu has published numerous articles and has compiled training manuals and operating procedures for gold mining and mining workers.

Name	Position held in the Target Group	Date of joining the Target Group	Relevant experiences
Mr. Tong Ting	Geological consultant	October 2007	Mr. Tong has also been a technical consultant of Tibet Geo-physical and Geo-chemical Exploration Teams and has 10 years' experience as a team leader (of up to 108 members in a team), 4 years' experience in general geological technology management and 15 years' experience in high level physical and chemical technology management. He has produced numerous articles and publications including the Department of Mineral Resources' 'General Requirements for Solid Mineral Exploration'.
Mr. Wang Qianghua	Survey engineer	July 2008	Mr. Wang was the professional surveyor lecturer in 東北工業學校 (Northeast Industrial College*) between 1995 and 2008. He was team head for prospecting survey in 遼寧有色地勘局 (Liaoning Nonferrous Geological Prospecting Bureau*).
Mr. Zheng Mingquan	Geological engineer	July 2009	Mr. Zheng was a geological engineer in a mining company between 2008 and 2009. He was the technician and deputy mining head in another mining company between 2000 and 2008. He was a geologist of a lead and zinc mine between 1983 and 2000.

REASONS FOR THE ACQUISITION

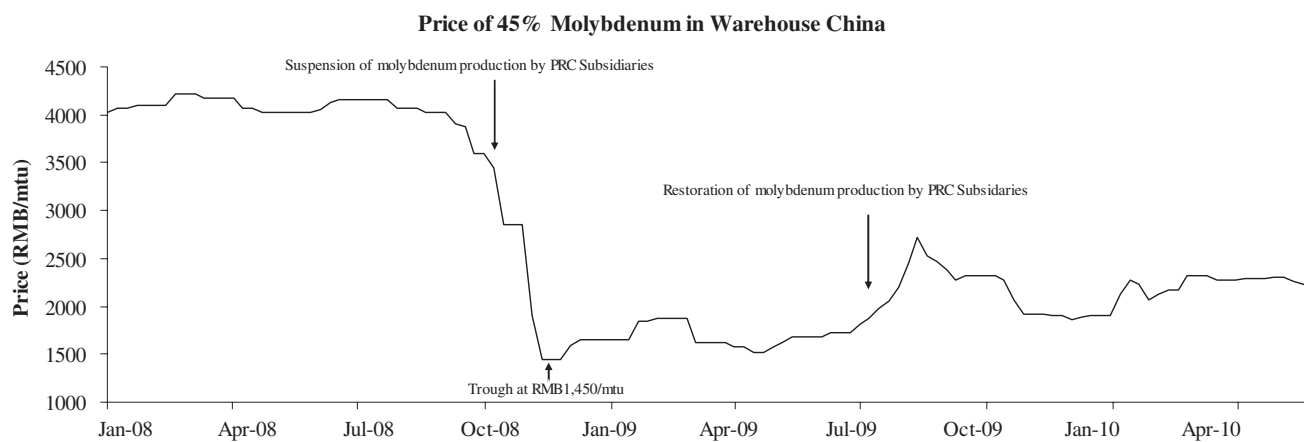
The Group is principally engaged in the provision of IT services in Hong Kong (the “IT Business”) after the disposal of its supply chain solutions business during the year ended 31 December 2008.

During the year ended 31 December 2009, the Group’s business operation experienced keen market competition and certain call center service with major customer was terminated. The Group’s turnover decreased by approximately 15.7% from HK\$38.8 million for the year ended 31 December 2008 to HK\$32.7 million for the year ended 31 December 2009 and audited net loss attributable to shareholders increased by approximately 407.1% from HK\$0.98 million for the year ended 31 December 2008 to HK\$4.97 million for the year ended 31 December 2009. As stated in the annual report of the Company for the year ended 31 December 2009, it is expected that the IT Business may not provide good prospect to the Group and, thus, the Group has considered opportunities in other industries in bid to create new growing area. It was further stated that among the business opportunities, the Group believed minerals industry would be promising in the midst of expectation of inflation and scarcity of resources.

The Company considered that the Acquisition is a valuable investment opportunity for the Group to participate in the mineral business. As at the date of this announcement, other than the Acquisition, the Board has not entered into any agreement, arrangement, understanding or negotiation about any acquisition of the asset or company (whether concluded or not).

Molybdenum, when alloyed (mixed) with steel in small quantities, creates a substance that is remarkably tougher than steel alone and is highly resistant to heat. The most common use of molybdenum is as an alloying agent in stainless steel, alloy steels, and superalloys to enhance hardness, strength, and resistance to corrosion. According to the U.S. Geological Survey, approximately two-thirds of the molybdenum produced in 2008 was used in the production of alloy steels and superalloys, while the PRC is the largest molybdenum-producing country which produced more than 37% of the world production in 2008 and 2009.

The price of the molybdenum for the past few years have been relatively volatile. Set out below is a graph showing the weekly price of molybdenum concentrate in the PRC from January 2008 to May 2010:



Source: Bloomberg

As illustrated above, the price of molybdenum concentrate in the PRC was kept at above RMB3,500 per mtu from January 2008 to September 2008. However, the molybdenum price has dropped by more than 60% from RMB4,025 per mtu in early September 2008 to RMB1,450 per mtu in late November 2008. The drop in molybdenum price in September 2008 was mainly brought by drop in demand in the steel market, which was adversely affected by the global financial turmoil, and the oversupply of molybdenum in the PRC. As a result of the global financial turmoil, the constructions have been slowed down all over the world, leading to a significant drop in demand for steel, and unavoidably molybdenum, in contrast of strong demand for steel for construction in the PRC due to the 2008 Beijing Olympic before mid-2008. After the tumble in market price of molybdenum in late 2008, the price of molybdenum was in an increasing trend and hit RMB2,200 per mtu in late July 2009 (representing an increase of approximately 51.7%). In year 2010, the molybdenum price became more stable and ranged from RMB1,910 per mtu to RMB2,325 per mtu.

In view of the application of molybdenum as described above, the Company is optimistic on the market demand of molybdenum and the growth potential of the business of mining and production of molybdenum. Moreover, based on the preliminary business development plan, as advised by the Vendors, the Target Group plans to increase its molybdenum processing capability from 3,000 tonnes per day to 4,500 tonnes per day by 2012 and 9,000 tonnes per day by 2013, by constructing new processing facilities and a new mining shaft. In addition, the Target Group is planning with various design institutes to explore new methods in processing molybdenum ore to utilise the resources more efficiently and improve the rate of extraction of molybdenum concentrate. Moreover, the Target Group has plans to set up a roasting plant within the next two years to produce molybdenum oxide to broaden its product base and to work with local government in KuanDian County to integrate other mining resources to build a sizeable mining company in conjunction with the KuanDian County government's effort in promoting integration within the mining industry.

Taking into consideration the established infrastructure of the mining operation and the proposed business development of the Target Group, the Company considers the investment opportunity through the Acquisition is valuable and Completion would immediately improve the Group's results and provide better return to the Shareholders in the long run in the absence of unforeseen circumstances.

Nevertheless, the Directors (including the independent non-executive Directors) consider the Acquisition may be posed with certain risks associated thereto (details of which are set out under the section headed "Risk factors" below). Having balanced the risks associated with the Acquisition and prospects of the mining industry, the Directors (including the independent non-executive Directors) therefore believe that the Acquisition offers the Group a good opportunity to diversify into a mining business and to enhance the Group's income stream and are of the opinion that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

RISKS FACTORS

Risks relating to the Acquisition

New business segment of the Group

The Acquisition constitutes an investment in a new business sector, being the mining industry for the Group. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it is not in a position to ascertain the timing and amount of any return or benefits that may be received from the new business. If the proposed business plan in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may adversely affect the Company's financials.

Risks and uncertainties associated with achieving the production plan of the Target Group

The resources and reserves estimates are based on a number of assumptions conforming to the JORC Code. However, there is no assurance that the resources and reserves will be recovered in the quantities, quality or yields presented in the technical report to be included in the Circular. The inclusion of resources estimates should not be regarded as a representation that these amounts can be exploited economically.

Ore resources and reserves estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and grade of mineralisation and the ability to extract and process the mineralisation economically. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling and sampling of the ore bodies and analysis of the ore samples and the procedures adopted and experience of the persons making the estimates.

If mineralisation or geological or mining conditions is encountered at its Zhenxing molybdenum mine or Zhenjiang Town copper mine which differ from those predicted by historical drilling, sampling and similar examinations, mining plans may have to be adjusted in a way that may materially and adversely affect the business, financial condition and results of operations of the Target Group and reduce the estimated amount of ore resources and reserves available for production and expansion plans.

Risks associated with processing operations and the dependence of the business

Its mining and processing operations (including molybdenum, copper and iron) are subject to a number of operating risks and hazards, some beyond the control of the Target Group, which could delay or interrupt the production and delivery of molybdenum, copper and iron concentrate or increase the cost of mining and processing operations.

These conditions include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions and natural disasters, safety and industrial accidents, power, fuel or water supply interruptions, critical equipment failure or shortages, fires, earthquakes, flooding and unusual or unexpected variations in mineralisation, geological or mining conditions. Such risks may result in damage to its mining and processing operations which may materially and adversely affect the financial condition and results of operations of the Target Group.

Furthermore, the business of the Target Group is dependent on its mines as the major source of ore supply for its processing operations. If there is any disruption for a sustained period to the continued operations of its mines or supporting infrastructure, or any of the events mentioned above occurs, the financial condition and results of operations of the Target Group may be materially and adversely affected.

Risks in relation to production safety and the occurrence of accidents or natural disasters

As a company engaged in mining and processing in the PRC, the Target Group is subject to extensive laws, rules and regulations imposed by the PRC government regarding production safety. The PRC government continues to strengthen the enforcement of safety regulations in relation to the mining industry. No assurance can be given that more stringent laws, regulations or policies regarding production safety will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. The Target Group may not be able to comply with all existing or future laws, regulations and policies in relation to production safety economically or at all. Should it fail to comply with any production safety laws or regulations, the Target Group would be required to rectify the production safety problems within a limited period, failing which suspension of operations may be required. In addition to rectification or operation suspension, fines may also be imposed according to PRC laws relating to production safety.

The Target Group or third party contractors may encounter accidents, technical difficulties, mechanical failure or breakdown in the exploration, mining and processing processes, as well as possible localised mud-slides, instability of the slopes and subsidence of the working areas and the like due to natural disasters. There can be no assurance that accidents will not occur in the future or that more serious corrective measures or penalties will not be imposed by the PRC regulatory authorities. The occurrence of accidents may disrupt or result in a suspension of the operations of the Target Group, increase production costs, result in liability to the Target Group and/or harm its reputation. Such incidents may also result in a breach of the conditions of its mining permits and exploration permits, or any other consents, approvals or authorisations, with consequent exposure to enforcement procedures or even possible revocation of its mining permits and/or exploration permits. Any one or a combination of the factors above may materially and adversely affect the financial condition and results of operations of the Target Group.

Risks and uncertainties associated with mining projects

Mining is a relatively high risk industry. The grade, shape, size and wall rock of each orebody are different. Therefore, it is possible that the mining engineering plans of the Target Group will not achieve its target results to the fullest extent and satisfy all its mining needs. In addition, mining activities may cause damages to the orebody and wall rock due to complicated geological structures of the mine. The roof of a stope may cave in if the crustal stress balance is disrupted by mining activities and this may cause accidents and adversely affect its mining operations. In the event that its mining projects are disrupted, the financial condition and results of operation of the Target Group may be materially and adversely affected.

The underground mining operations of the Target Group face uncertainties in reserve estimates and production volume. Its Zhenxing molybdenum has been permitted by the PRC Government to produce up to 99 mtpa. The actual production volume may be significantly less than the estimation of the Target Group. Any one or a combination of the factors above may materially and adversely affect its production and expansion plans.

Risks and uncertainties associated with exploration projects

The risks associated with exploration include the identification of potential mineralisation based on analysis of geological data, the technological challenges of exploration and development, the obtaining of necessary governmental permits and the construction of mining and processing facilities at any site chose for mining. A decline in the market price of molybdenum, copper and iron may render the ore reserves containing relatively lower grades of molybdenum, copper and iron mineralisation uneconomic. There is no assurance that any exploration will result in the discovery of resources or reserves or in any new commercially profitable mining operation. Further, in case the Target Group cannot locate any resources or reserves which are economically viable for mining and extraction before the exhaustion of its current reserves, it may have to procure raw materials from external sources for the continuing production of copper and iron concentrates, which may represent higher production costs and hence may materially and adversely affect the results of operations.

Risks and uncertainties associated with renew of mining rights and expand of production

Under the Mineral Resources Law of the PRC, all mineral resources in the PRC are owned by the PRC government. Typically, the duration for which mining rights are granted cannot exceed the projected number of years of service of a mine, and the consideration for such mining rights is appraised on the basis of such service period.

The PRC Government listed molybdenum exploration and mining as an industry in which foreign investment has been prohibited since 1 December 2007 under the Guiding Catalogue of Industries of Foreign Investment (the “Guiding Catalogue”) promulgated by the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC. There can be no assurance that the mining rights will be renewed in favourable terms, or at all, once such rights expire. Since the business of the Target Group can only be conducted under mining rights granted by the PRC Government, if such rights cannot be renewed, the financial condition and results of operations of the Target Group will be materially and adversely affected.

As advised by the PRC legal adviser of the Company, the Target Group is entitled to continue its business operations in relation to the Molybdenum Mine in accordance with the its current mining licence, which will expire in 2023. Based on the fact that the Target Group has successfully extended the mining period in respect of the mining licence of the Molybdenum Mine in 2008, when it was already a subsidiary of the Target which is a company incorporated in Hong Kong, subsequent to the issuance of the Guiding Catalogue in 2007, the PRC legal advisers opine that there is no material barrier in renewing the licences upon their respective expiry. Given the fact that the mining licence of the Molybdenum Mine will only expire in 2023, the Directors consider that renewal of the mining licence for the Molybdenum Mine will not pose any immediate material threats to the business and operations of the Target Group.

Risks and uncertainties associated with reliance on senior management and technical staffs

If a significant number of members of senior management or technical staff cease to serve the Target Group in the future or fail to perform their duties as expected, or the Target Group are unable to recruit and train key personnel and management personnel and technical staff, the financial condition and results of operations of the Target Group may be materially and adversely affected.

Risks and uncertainties associated with market fluctuation of molybdenum concentrate

The business of the Target Group is sensitive to movements in the market prices for molybdenum concentrate. Most of revenue of the Target Group is derived from the sale of molybdenum concentrate, and this product is expected to continue to account for a large percentage of turnover in the near term.

The price of molybdenum concentrate is affected by international and domestic molybdenum concentrate prices. Fluctuations in both global and domestic prices and demand for the products are beyond the control of the Target Group. Absent offsetting factors, a significant and sustained adverse movement in the market prices of molybdenum concentrate may materially and adversely affect the financial condition and results of operations of the Target Group. A significant reduction in the market prices for molybdenum concentrate for a prolonged period may lead to a material deterioration in the financial performance of the Target Group and a material write-down of the investment in mining properties.

Molybdenum concentrate prices have historically been subject to fluctuations in response to market forces, such as global mine production, roasting production, general global and PRC economic conditions and industrial demand. In recent years, there have been significant movements in molybdenum prices. These movements have been driven by demand for steel, the primary end-use of molybdenum, as a result of investment in the industrial and construction industries, and supply constraints including increasing regulation of the PRC molybdenum industry by the PRC government.

Risks and uncertainties associated with high gearing ratio

Promissory notes in a maximum aggregate principal amount of approximately HK\$580.1 million will be issued by the Company pursuant to the Acquisition, of which an aggregated principal amount of approximately HK\$114.0 million will be due on the sixth month from their respective issue date, for the acquisitions of Sale Shares and the Sale Loan, which will significantly increase the gearing ratio of the Company. As a result, the Group may require a significant portion of cash flow to be allocated to repay the promissory notes. This could impair its ability to make necessary capital expenditures, develop business opportunities or make acquisitions. There is no assurance that the business will generate sufficient cash flow from operations in the future to repay the Promissory Notes.

Risks associated with laws and regulations in the PRC

The operations of the Target Group are subject to PRC environmental laws and regulations relating to air and water quality, waste management and public health and safety. To comply with these laws and regulations, costs associated with the production facilities and production processes, including those incurred in installing pollution control equipment, are incurred. The costs of compliance with environmental laws and regulations may increase significantly if the PRC government adopts stricter environmental requirements, such as tightening pollutant discharge limits, increasing pollutant discharge fees, imposing more extensive pollution control requirements or increasing the number of regulated substances. There is no assurance that compliance with environmental laws or regulations adopted or amended in the future or measures to be taken to tackle unanticipated environmental effects from the operations of the Target Group will not materially increase the operating and other expenses of the Target Group.

There is no assurance that the Target Group will be able to comply with all environmental laws and regulations that are adopted or amended in the future. Failure to comply with, or any change or difference in the interpretation or enforcement policy of, such laws and regulations, or the occurrence of any unanticipated environmental effects from its operations, could subject to punitive governmental measures, including forced suspension of operations, which may have a material adverse effect on the financial condition and results of operations of the Target Group.

INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

The Board proposes to increase the Company's authorised share capital from HK\$100,000,000 divided into 10,000,000,000 Shares to HK\$250,000,000 divided into 15,000,000,000 Shares and 10,000,000,000 Convertible Preference Shares by the creation of 5,000,000,000 Shares and 10,000,000,000 Convertible Preference Shares. The Capital Increase is determined by taking into account the maximum number of the Conversion Shares which may be allotted and issued pursuant to the Acquisition Agreement, new Shares to be issued by the Company under the Proposed Placing, the Company's need for flexibility to issue new Shares for future investments and developments, and the issue of the Convertible Preference Shares for the settlement of Consideration of the Acquisition respectively. An ordinary resolution will be put forward at the EGM for the proposed increase in the Company's authorised share capital.

The proposed increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. The Board is of the view that the proposed increase in authorised share capital of the Company is necessary for proceeding with the Acquisition since payment of the Consideration of the Acquisition involves the issue of the Consideration CPS (which are convertible into the Conversion Shares). It will also provide flexibility to the Company in raising necessary funds through issue of new equity securities for implementation of its future business plan adopted from time to time, and is therefore in the interest of the Shareholders. No Shareholder is required to abstain from voting on the resolution to be proposed at the EGM regarding the proposed increase in authorised share capital of the Company.

GEM LISTING RULES IMPLICATION

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a very substantial acquisition for the Company pursuant to Rule 19.06(5) of the GEM Listing Rules. The Acquisition and the transactions contemplated under the Acquisition Agreement are therefore subject to the approval by the Shareholders at the EGM by way of poll. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the Capital Increase which is different from other Shareholders, no Shareholder is therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder and the Capital Increase. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners and their respective associates do not hold any Shares, options or securities convertible into Shares as at the date of the Acquisition Agreement. The Vendors and their respective associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder if they hold any Shares as at the date of the EGM.

DESPATCH OF CIRCULAR

A Circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) a valuation report of the Target Group or the mines of the Target Group; (v) a technical report on the Mines prepared in accordance with the requirements under Chapter 18A of the GEM Listing Rules; (vi) details of the Capital Increase; and (vii) the notice of the EGM will be sent to the Shareholders as soon as possible.

It is currently expected that it will take about two to three months for the Company and the professional parties to prepare the relevant information for the inclusion in the Circular including, but not limited to, the accountants' reports on the Target Group, the unaudited pro forma financial information of the Group as enlarged by the Target Group, and the technical report in respect of the Mines. Accordingly, the date of despatch of the Circular is expected to be on or before 31 December 2010.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3 June 2010 at the request of the Company pending and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 July 2010.

As the Acquisition Agreement is subject to a number of conditions precedent, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Accounts”	the consolidated audited accounts of the Target for a period of 12 months, commencing from the first month immediately following the date of Completion, prepared by a firm of auditors jointly appointed by the Company and the Vendors
“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Company from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 2 June 2010 (as supplemented by the Supplemental Agreement) entered into between the Company and the Vendors in relation to, among other things, the Acquisition
“Acquisition Cost of the Remaining Shares”	the offer price in the aggregate sum of HK\$282,000,000 for the Remaining Shares
“Agent”	Mr. Chui Bing Sun, who entered into a service agreement with the Company on 6 September 2008 (details of which were disclosed in the announcement dated 11 September 2008) and is a shareholder of the Company beneficially interested in 78,000,000 Shares (representing approximately 9.88% of the issued share capital of the Company)
“Apex”	Apex Return Sdn Bhd, being one of the Vendors and a company incorporated in Malaysia with limited liabilities

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturdays or a Sunday) on which banks are generally open for banking business in Hong Kong
“BVI”	the British Virgin Islands
“Calcite Mine”	the calcite mine located at KuanDian County ZhenJiang Town WanBao Village, has an area of 0.117 sq. km. covered by the mining licence numbered 2106000830138 held by the Target Group
“Capital Increase”	the proposed increase in authorised share capital of the Company from HK\$100,000,000 divided into 10,000,000,000 Shares to HK\$250,000,000 divided into 15,000,000,000 Shares and 10,000,000,000 Convertible Preference Shares by the creation of 5,000,000,000 Shares and 10,000,000,000 Convertible Preference Shares
“Circular”	the circular to be issued to the Shareholders by the Company in accordance with the GEM Listing Rules in respect of, among other things, details of the Acquisition and the Capital Increase
“Company”	Computech Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Completion”	the completion of the Acquisition pursuant to the Acquisition Agreement
“Completion Date”	date of Completion
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration CPS”	the 7,987,015,625 Convertible Preference Shares to be issued by the Company to the Vendors pursuant to the Acquisition Agreement for partial settlement of Consideration of the Acquisition

“Consideration of the Acquisition”	the consideration in the aggregate sum of HK\$2,395,601,000 (subject to adjustments) for the Acquisition
“Conversion Shares”	the new Shares falling to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Preference Shares
“Convertible Preference Shareholder(s)”	holder(s) of the Convertible Preference Shares
“Convertible Preference Shares”	the new class of shares of nominal value of HK\$0.01 each in the capital of the Company to be created, carrying the rights for conversion into Shares, and each a “Convertible Preference Share”
“Copper Mine”	the copper mine located at ZhenJiang Town WanBao Village, has an area of 0.094 sq. km. covered by the mining licence numbered 2100000820684 held by the Target Group
“Copper-Gold Mine”	the copper-gold mine located at Liaoning Province KuanDian County ZhenJiang Town WanBao Village, has an area of 9.63 sq. km. covered by the exploration licence numbered T2112010020238858 held by the Target Group
“Copper-Molybdenum-Gold Mine”	the copper-molybdenum-gold mine located at KuanDian County ZhenJiang Town WanBao Village, has an area of 6.33 sq. km. covered by the exploration licence numbered T21120080602008891 held by the Target Group
“Dalei”	寬甸大磊礦業有限責任公司 (Kuandian Dalei Mining Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Wanbaoyuan
“Debut”	Debut Supreme Capital Sdn Bhd, being one of the Vendors and a company incorporated in Malaysia with limited liability
“Director(s)”	the director(s) of the Company
“Dragonrider”	Dragonrider Opportunity Fund L.P., being one of the Vendors and a fund established in the Cayman Islands

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Acquisition Agreement and the transactions contemplated thereunder and the Capital Increase
“Exploration Licences”	the exploration licences held by the Target Group (with licence numbered T21120100202038858 and T21120080602008891 respectively) for the copper and gold deposit in the Copper-Gold Mine and the copper, molybdenum and gold deposit in the Copper-Molybdenum-Gold Mine which are located in 寬甸縣振江鎮萬寶村 (KuanDian County ZhenJiang Town WanBao Village*)
“Fabulous Way”	Fabulous Way Limited, being one of the Vendors and a company incorporated in the Cayman Islands with limited liability
“First Tranche Promissory Notes”	2% coupon promissory notes in an aggregate principal amount of HK\$233,645,000 (subject to adjustment) to be issued by the Company to the Vendors (or their respective nominee(s)) as part of the Consideration of the Acquisition which will be due on the second anniversary from the date of issue
“First Transfer”	the transfer of 86,163 shares in the Target from Angel Wise Limited to Brown Lake Finance Limited on 5 May 2010, as alleged by Stark Moly in the letter to the Company dated 19 July 2010
“Fourth Tranche Promissory Notes”	5% coupon promissory notes in a maximum aggregate principal amount of HK\$282,000,000 which might be issued by the Company to the Remaining Shareholders (or their respective nominee(s)) as part of the consideration for the acquisition of the Remaining Shares
“Full Harbour”	Full Harbour International Limited, being one of the Vendors and a company incorporated in the Cayman Islands with limited liability
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company
“Initial Conversion Price”	the initial conversion price of the Convertible Preference Shares of HK\$0.128 per Conversion Share
“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves issued by JORC
“Last Trading Day”	2 June 2010, being the last trading day for the Shares on the Stock Exchange prior to suspension of trading in the Shares pending the release of this announcement
“Listing Committee”	shall have the same meaning as is in the GEM Listing Rules
“Mines”	collectively, the Molybdenum Mine, the Calcite Mine, the Copper Mine, the Copper-Gold Mine and the Copper-Molybdenum-Gold Mine
“Molybdenum Mine”	the molybdenum mine located at Wanbao Village, Zhenjiang Town, KuanDian County, Liaoning Province, PRC having an area of 0.46 sq. km. covered by the mining licence numbered 2100000820564 held by the Target Group
“Monz”	Monz Investments Limited, being one of the Vendors and a company incorporated in the BVI with limited liability
“MOU”	the memorandum of understanding entered into by the Computech Online Limited, a wholly-owned subsidiary of the Company, and Mr. Lam on 31 December 2009 in relation to the possible acquisition of the shareholding interest in the Target
“Mr. Lam”	Mr. Lam Fung, one of the Vendors

“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiaries”	collectively, Wanbaoyuan, Sanwang and Dalei
“Proceedings”	the proceedings brought by Stark Moly as the plaintiff against (i) Angel Wise Limited; (ii) the Target; (iii) Brown Lake Finance Limited; (iv) Debut; (v) Apex; and (vi) Splendid as the defendants before the High Court of Hong Kong pursuant to the writ of summons in Hong Kong High Court action no. HCA 1087 of 2010
“Promissory Notes”	collectively, the First Tranche Promissory Notes, the Second Tranche Promissory Notes, the Third Tranche Promissory Notes and the Fourth Tranche Promissory Notes
“Proposed Placing”	a proposed placing of such number of new Shares or Convertible Preference Shares by the Company to identified investors prior to Completion with a view of raising a total proceeds of not less than HK\$793,140,000, such placing shall be conducted in a manner satisfactory to the Company and may be conducted in several tranches
“Remaining Shareholders”	shareholders of the Target, other than the Vendors, who are Independent Third Parties
“Remaining Shares”	138,867 shares of the Target held by the Remaining Shareholders in aggregate, representing approximately 14% of the issued share capital of the Target
“Sale Loan”	the entire outstanding shareholder’s loan owed by the Target to Mr. Lam as at Completion, which shall represent 100% of the loan due from the Target to its shareholders as at Completion
“Sale Shares”	861,133 shares of the Target held by the Vendors in aggregate, representing approximately 86% of the issued share capital of the Target
“Sanwang”	寬甸三旺礦業有限責任公司 (Kuandian Sanwang Mining Co. Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Wanbaoyuan

“Second Tranche Promissory Notes”	2% coupon promissory notes in a maximum aggregate principal amount of HK\$232,505,000 to be issued by the Company to the Vendors (or their respective nominee(s)) as part of the Consideration of the Acquisition which will be due on the fifth anniversary from the Completion Date
“Second Transfer”	the transfer of 86,163 shares in the Target in three blocks from Brown Lake Finance Limited to each of Debut, Apex and Splendid on 13 May 2010, as alleged by Stark Moly in the letter to the Company dated 19 July 2010
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Splendid”	Splendid Horizon Sdn Bhd, being one of the Vendors and a company incorporated in Malaysia with limited liability
“Stark Moly”	Stark Moly Limited, being one of the Remaining Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 28 July 2010 supplementing to the conditional sale and purchase agreement dated 2 June 2010 entered into between the Company and the Vendors in relation to the Acquisition
“Takeovers Code”	the Code on Takeovers and Mergers as published by the Securities and Futures Commission of Hong Kong, as amended from time to time
“Target” or “Wiseking Mining Investment”	Wiseking Mining Investment Company Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target and the PRC Subsidiaries
“Third Tranche Promissory Notes”	zero coupon promissory notes in a maximum aggregate principal amount of HK\$113,973,000 to be issued by the Company to the Vendors (or its nominee) as part of the Consideration of the Acquisition which will be due on the sixth month from the date of issue

“Valuation”	valuation of the Target Group or the Mines of the Target Group, such valuation shall be prepared in compliance with the requirements of the GEM Listing Rules, on a discounted cash flow methodology or such other methodology as agreed by the Company and the Vendors
“Vendors”	Mr. Lam, Full Harbour, Monz, Apex, Debut, Splendid, Fabulous Way and Dragonrider collectively
“Wanbaoyuan”	丹東萬寶源礦業有限責任公司 (Dan Dong Wan Bao Yuan Mining Co., Ltd.*), a company incorporated in the PRC with limited liability and is 95%-owned by the Target
“Xiamen Weihuang”	廈門威皇投資有限公司 (Xiamen Weihuang Investment Co., Ltd.*), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“kt”	kiloton
“Mt”	million tonne
“mtu”	metric tonne unit, being 10 kilograms
“sq. km.”	square kilometer
“t”	tonne
“tpd”	tonne per day

On behalf of the board of
Computech Holdings Limited
Mak Kwong Yiu
Executive Director

Hong Kong, 28 July 2010

As at the date of this announcement, the executive Director is Mr. Mak Kwong Yiu. The non-executive Director is Mr. Fung Pak Chuen, Alphonso. The independent non-executive Directors are Mr. Pang Wing Kin, Patrick, Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson.

This announcement, for which the Directors 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be available on the Company’s website at www.computeck.com.hk.

For the purpose of illustration only, amounts denominated in RMB have been translated into HK\$ at the rate of RMB0.881 = HK\$1. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

** for identification purpose only*