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Information Technology

Systemk Information Technology (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

**DISCLOSEABLE TRANSACTION
IN RELATION TO AN ACQUISITION OF 40% INTEREST IN
北京中廣鴻聯網絡技術有限公司
AND
PROPOSED CAPITAL REORGANIZATION
VARIOUS PROPOSALS REGARDING
CHANGE OF NAME
ADOPTION OF NEW SHARE OPTION SCHEME
TERMINATION OF EXISTING SHARE OPTION SCHEME
GENERAL MANDATES TO ISSUE
AND
REPURCHASE REORGANIZED SHARES**

Financial adviser to Systemk Information Technology (Holdings) Limited



VC CEF CAPITAL LIMITED

滙盈加怡融資有限公司

A wholly-owned subsidiary of Value Convergence Holdings Limited

THE ACQUISITION AGREEMENT

On 8 September 2003, the Vendor and the Purchaser entered into a sale and purchase agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Interest subject to the terms and conditions set out below at a consideration of HK\$1,800,000 which shall be satisfied by an issue of the Promissory Note in the nominal amount of HK\$1,800,000 to the Vendor or its nominee on Completion.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

PROPOSED CAPITAL REORGANIZATION

The Board intends to put forward the proposed Capital Reorganization for approval by the Shareholders at the EGM, under which, among other things, the nominal value of each of the issued Existing Shares will be reduced from HK\$0.10 to HK\$0.002, every 25 Intermediate Shares will be consolidated into one Reorganized Share and the Accumulated Losses will be eliminated or substantially reduced (as the case may be). Details of the Capital Reorganization are set out in the section headed “Proposed Capital Reorganization” below.

The Capital Reorganization is conditional upon, amongst other things, approval by the Shareholders by way of requisite resolutions at the EGM and approval by the Court of the Capital Reduction, as part of the Capital Reorganization. Please refer to the paragraph headed “Conditions of the Capital Reorganization” below.

PROPOSED CHANGE OF NAME OF THE COMPANY

The Board also proposes to change the name of the Company to “Tai Shing International (Holdings) Limited” and to adopt a Chinese name for identification only upon completion of the Capital Reorganization. The proposed new name of the Company and its Chinese name for identification purpose will be confirmed in the circular to be made by the Company in respect of the Proposed Transactions. The proposed change of name of the Company is subject to the approval of the Registrar of Companies in the Cayman Islands and the passing of a special resolution by the Shareholders at the EGM.

PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Board also proposes to seek Shareholders’ approval at the EGM for the adoption of New Share Option Scheme and the termination of the Existing Share Option Scheme.

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE REORGANIZED SHARES

The Board also proposes to seek Shareholders’ approval for the grant of new general mandates to issue and repurchase Reorganized Shares.

GENERAL

A circular containing, among other things, information of the Proposed Transactions, expected timetable and trading arrangement in connection with the Capital Reorganization together with a notice of EGM to be held to consider and approve, the Acquisition, the Capital Reorganization, the change of name of

the Company, the adoption of New Share Option Scheme and the termination of the Existing Share Option Scheme, the renewal of General Mandates and all other transactions contemplated thereunder will be dispatched to the Shareholders within 21 days from the date of this announcement.

A further announcement will be made by the Company when the proposed timetable in relation to the Capital Reorganization and the change of name of the Company is ascertained.

THE ACQUISITION AGREEMENT

Date: 8 September 2003

Parties:

Vendor: Mr. Li Yi (李義), an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or its Subsidiaries or any of their respective Associates

Purchaser: Top Gallant International Ltd., a wholly-owned subsidiary of the Company which is incorporated under the laws of British Virgin Islands specifically for the purpose of the Acquisition

Assets to be purchased: the Sale Interest representing 40% interest in the registered capital of Hung Luen (北京中廣鴻聯網絡技術有限公司)

Business of Hung Luen

Hung Luen is a company with limited liability incorporated under the laws of the PRC on 13 December 1999 and its fully paid-up registered capital is RMB4.5 million. Hung Luen is principally engaged in the business of research, development and provision of information-on-demand (“IOD”) system solutions, telecommunication and broadcasting media network solutions and the provision of related products and services. An IOD system solution enables Internet users to obtain and process information via the Internet. In addition, it is also engaged in distribution of computers and computer-related hardware, medical equipments, domestic appliances, general merchandises and spare parts of automobiles. At present, Hung Luen has 32 employees out of which there are three directors with the Vendor being one of them and the executive director of Hung Luen. The other two directors of Hung Luen are also independent third parties not connected with any of the directors, chief executive or substantial shareholders of the Company or its Subsidiaries or any of their respective Associates. Upon Completion, it is agreed between the Vendor, the Purchaser and other shareholders of Hung Luen that the Vendor will retain his directorship and be responsible to the board of directors of Hung Luen.

Financial information of Hung Luen

Set out below is the financial information of Hung Luen based on its audited consolidated accounts for the two years ended 31 December 2002 prepared under the Generally Accepted Accounting Principles in the PRC:

	Year ended 31 December 2001 <i>RMB</i>	Year ended 31 December 2002 <i>RMB</i>
Profit (Loss) before taxation	(198,648)	376,804
Profit (Loss) after taxation	(198,648)	376,804
Net asset value	3,294,723	3,647,606
Net tangible assets value	3,294,723	3,647,606

Reasons for the Acquisition

The Company is an investment holding company with its operating subsidiaries principally engaged in the design, development and deployment of internet enabling software solutions and the provision of information technology consulting and e-business innovation services for commercial enterprises in Hong Kong and the United States of America seeking to deploy and improve their use of the internet and e-business applications.

In view of (i) the persistent loss of the Group, and (ii) the reducing profit margin of the services provided by the Group to customers, the Directors accordingly consider that it is necessary to identify profitable business which is in the interest of the Company and its Shareholders as a whole. The Directors believe that the Acquisition provides an opportunity for the Company to widen its assets and earning base and to diversify its business portfolio by capturing a suitable investment opportunity in the information technology industry in the PRC. In addition, by leveraging on the technical know-how possessed by Hung Luen in computer systems design, development and its distribution network, the Directors believe that the Acquisition will provide synergy to the existing business operation of the Group as the Group will be able to (i) enhance its existing products and services with the technical support from Hung Luen; (ii) expand its existing products range by introducing the products of Hung Luen to its clients in Hong Kong and the United States of America; and (iii) market and distribute its products and services to potential clients in the PRC through Hung Luen. The Directors consider that such form of business arrangements will mutually benefit the Group and Hung Luen.

As the Company only acquires 40% interest in Hung Luen, there will not be any net tangible assets value to be attributed to the Group upon Completion. As mentioned above, after Completion, the Vendor will continue to act as the executive director of Hung Luen. The Company has no present intention to appoint any designated person to be the director of Hung Luen.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in line with the business objective of the Group and in the interest of the Company and Shareholders as a whole. The Company currently does not have any intention to increase its interest in Hung Luen, in the event that there is such increase, the Company will comply with the relevant disclosure and Shareholders' approval requirements, if applicable, of the GEM Listing Rules. There is no present intention to change the Group's business operation upon completion of the Acquisition.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Consideration and terms of payment

The Consideration for the Sale Interest is HK\$1,800,000 which was arrived at after arm's length negotiation between the Vendor and the Purchaser and is on normal commercial terms and is by reference to the audited net asset value of Hung Luen as at 31 December 2002. Such consideration also represents a premium of about 31.4% over the audited net tangible assets value of Hung Luen as at 31 December 2002 (being the date to which the latest audited consolidated financial statements of Hung Luen were made up under the Generally Accepted Accounting Principles in the PRC).

The Purchaser shall satisfy the Consideration by an issue of the Promissory Note delivered to the Vendor or its nominee upon Completion.

Conditions Precedent

Completion of the S&P Agreement is conditional upon, among other matters, fulfillment of all of the following conditions precedent on or before the date of expiry of a period of 3 months from the date of the S&P Agreement (or such later date as may be extended by the Vendor and the Purchaser in writing) (the "**Long-stop Date**"):

- i. no material adverse change having occurred in the financial, business or trading conditions of Hung Luen as at the Long-stop Date;
- ii. no breach of the warranties has occurred or subsisted as at the Long-stop Date; and
- iii. all necessary approvals and consents from the relevant regulatory authorities in Hong Kong and the PRC or any other jurisdiction, if applicable, having been obtained by the Vendor.

None of the above conditions can be waived by parties to the S&P Agreement.

Completion

Subject to the fulfillment of the foregoing conditions, Completion shall take place within three business days after fulfillment of the conditions as set out above.

PROPOSED CAPITAL REORGANIZATION

The Board intends to put forward the proposed Capital Reorganization for approval by the Shareholders at the EGM, under which, among other matters, the nominal value of each of the issued Existing Shares will be reduced from HK\$0.10 to HK\$0.002, every 25 Intermediate Shares will be consolidated into one Reorganized Share and the Accumulated Losses will be eliminated or substantially reduced (as the case may be).

Capital Reduction

The Board proposes that the Capital Reduction be effected under which:

- i. the paid-up and the nominal value of each of the 1,036,375,000 Existing Shares will be reduced by HK\$0.098 from HK\$0.10 to HK\$0.002 whereby the Company's existing issued share capital of HK\$103,637,500 will be reduced by the amount of HK\$101,564,750 to HK\$2,072,750;
- ii. the amount standing to the credit of the Share Premium Account will be applied towards the elimination of the same amount of the Accumulated Losses as permitted by the laws of the Cayman Islands; and
- iii. after the aforesaid reduction of all amount standing to the credit of the Share Premium Account, all the credit arising from the Share Capital Reduction as described in paragraph (i) above will be applied towards the elimination of the remaining balance of the Accumulated Losses or part thereof (as the case may be). The surplus credit, if any, arising from the Share Capital Reduction will be credited to a special capital reserve account of the Company. The utilization of the amount standing to the credit of such special capital reserve account will be subject to such undertaking as the Court may require.

Diminution and Increase

As at the date hereof, the authorized share capital of the Company is HK\$200,000,000 out of which HK\$103,637,500 was issued and HK\$96,362,500 was unissued.

As part of the Capital Reorganization, the Board proposes to diminish the authorized share capital by reducing the nominal value of all of the authorized but unissued share capital of the Company from HK\$0.10 per share to HK\$0.002 per share and subsequently restoring the authorized share capital back to its original amount of HK\$200,000,000 divided into 100,000,000,000 shares of HK\$0.002 each.

Share Consolidation

The Board also proposes that, upon the Capital Reduction taking effect, the Share Consolidation be effected under which every 25 Intermediate Shares of HK\$0.002 each will be consolidated into one Reorganized Share of HK\$0.05 each. Upon the Share Consolidation taking effect and on the basis that 1,036,375,000 Existing Shares were in issue immediately prior to the Capital Reorganization taking effect, the total number of Reorganized Shares in issue will be 41,455,000.

All the Reorganized Shares, upon the Capital Reorganization taking effect, will rank *pari passu* in all respects with each other and will have the same rights and privileges and be subject to the restrictions contained in the articles of association of the Company.

The Existing Shares are currently traded in board lots of 5,000 Existing Shares. For the purpose of trading, the board lot in respect of the Reorganized Shares will remain at 5,000 Reorganized Shares.

Conditions of the Capital Reorganization

The Capital Reorganization is conditional on the fulfillment of the following conditions:

- i. the passing by the Shareholders at the EGM of the requisite resolutions to approve the Capital Reorganization;
- ii. the confirmation of the Capital Reduction by the Court and the filing with the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and a copy of the minutes approved by the Court confirming the Capital Reduction;
- iii. the compliance with any conditions imposed by the Court in relation to the Capital Reduction; and
- iv. the GEM Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Reorganized Shares.

Application for listing of Reorganized Shares

The Company will apply to the GEM Listing Committee of the Stock Exchange for granting the approval for the listing of, and permission to deal in, the Reorganized Shares in issue immediately following the Capital Reorganization becoming effective.

Reasons for the Capital Reorganization

The Capital Reorganization will allow the Company to eliminate in full, or as the case may be, substantially reduce the Accumulated Losses and as a result, will enable the Company to declare dividend to its

shareholders at an earlier possible opportunity than by generating profits to offset such losses. At present, the Board has no intention to declare any dividend.

The Board also notes that the Existing Shares have been traded at a price below their nominal value of HK\$0.10 each for a majority of the trading days since April 2002. The quoted price of the Existing Share on the Stock Exchange as at 8 September 2003 (being the last trading day prior to the date of this announcement) was HK\$0.025. With a view to facilitating any capital fund-raising exercise or asset acquisition by way of allotment or placement of shares when the Board considers the circumstances so require in the future, the Board considers that the Capital Reorganization is in the interests of the Company and its Shareholders as a whole. The Board currently does not have any plans to conduct any such capital fund-raising exercise.

Effects of the Capital Reorganization

As at the date hereof, the authorized share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each of which HK\$103,637,500 divided into 1,036,375,000 Existing Shares has been issued and credited as fully paid.

Upon the Capital Reorganization taking effect and on the basis that 1,036,375,000 Existing Shares were in issue immediately prior to the Capital Reorganization taking effect, the authorized share capital of the Company will be HK\$200,000,000 divided into 4,000,000,000 Reorganized Shares of which HK\$2,072,750 divided into 41,455,000 Reorganized Shares will be in issue and credited as fully paid. The Company does not have any share options outstanding.

The Reorganized Shares will rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the Company's articles of association. Save for eliminating (or as the case may be, substantially reducing) the Accumulated Losses and the expenses incurred in relation to the Capital Reorganization, implementation of the Capital Reorganization will not, by itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders. The Board believes that the Capital Reorganization will not have any material adverse effect on the financial position, underlying assets and liabilities or business operation of the Company and its Subsidiaries. Based on the above, the Board is of the view that the Capital Reorganization is in the best interest of the Company and the Shareholders as a whole.

PROPOSED CHANGE OF COMPANY NAME

In order to reflect the change of (i) the single largest shareholder of the Company to Wide Source Group Ltd. (a company wholly-owned by Mr. Luk Yat Hung and Mr. Ma Bing as detailed in the composite document of the Company dated 16 May 2003); and (ii) the management of the Company, the Board proposes to change the name of the Company to "Tai Shing International (Holdings) Limited " and to adopt a Chinese name for identification purpose. As more time is required to confirm the availability of

the proposed new names by conducting the relevant name search with the Registrars of Companies in the Cayman Islands and with the Companies Registry in Hong Kong, the proposed new name of the Company and its Chinese name for identification purpose will be confirmed in the circular to be issued by the Company in respect of the Proposed Transactions.

The proposed change of name of the Company will be subject to the approval of the Shareholders at the EGM and shall take effect from the date on the effective date of the Capital Reorganization. On or before the proposed change of name of the Company becoming effective, the Company will carry out the necessary filing procedures with the Registrars of Companies in the Cayman Islands under the Companies Laws of the Cayman Islands (2003 Revision) and with the Companies Registry in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

The proposed change of name of the Company will not affect any of the rights of any Shareholders. All existing share certificates in issue bearing the present name of the Company will, after the proposed change of name, continue to be evidence of title to the shares of the Company and will be valid for trading, settlements and delivery for the same number of shares in the new proposed name of the Company save and except for the arrangement in relation to the proposed Capital Reorganization mentioned above. A further announcement will be made by the Company once the proposed change of name of the Company becomes effective pursuant to the requirement of Rule 17.50(1) of the GEM Listing Rules.

FREE EXCHANGE OF CERTIFICATES FOR REORGANIZED SHARES AND TRADING ARRANGEMENTS

As the Court hearing dates have yet been confirmed, the effective date of the Capital Reorganization is not ascertainable at present. An expected timetable of the Capital Reorganization will be contained in the circular to be issued by the Company in connection with the Proposed Transactions. Upon the Capital Reorganization and the change of name of the Company becoming effective, Shareholders may submit existing certificates for the Existing Shares to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange, at the expense of the Company, up to one month from the effective date, for certificates of the Reorganized Shares.

In order to facilitate the trading of odd lots of Reorganized Shares, the Company will procure an agent to arrange for the sale and purchase of odd lots of Reorganized Shares on behalf of the Shareholders. Details of the proposed timetable in relation to such free exchange of share certificates, fractions of Reorganized Shares, odd lot trading and other relevant trading arrangements, (including arrangements for parallel trading), will be announced by the Company as soon as the effective dates of the Capital Reduction and the Share Consolidation are known.

PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on 26 August 2000. To be in line with the changes of the GEM Listing Rules in relation to share option schemes and in order for the Company to attract, retain and motivate talented Participants to strive for the goals of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such purposes as the Board may approve from time to time, the Board proposes that the New Share Option Scheme for the Participants be approved and adopted and the Existing Share Option Scheme be terminated at the EGM, at which an ordinary resolution will be proposed for the Shareholders to consider and if thought fit, approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme. No option has been granted by the Company since the inception of the Existing Share Option Scheme.

It is proposed that subject to the approval of Shareholders of the adoption of the New Share Option Scheme at the EGM, the Existing Share Option Scheme be terminated with effect from the conclusion of the EGM and the New Share Option Scheme will take effect, subject to the approval of the Stock Exchange, on the date of its adoption at the EGM. Operation of the New Share Option Scheme will commence after all conditions precedent have been fulfilled. Further details of the New Share Option Scheme will be included in the circular of the Company to be dispatched to Shareholders within 21 days from the date of this announcement.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the EGM, an ordinary resolution will be proposed to grant to the Directors new general mandates (i) to allot and issue new Reorganized Shares up to a limit of 20% of the Reorganized Shares in issue immediately after completion of the Capital Reorganization and (ii) to purchase Reorganized Shares, which does not exceed 10% of the aggregate nominal amount of the Reorganized Shares in issue immediately after completion of the Capital Reorganization.

The Directors have no immediate plans to issue new shares pursuant to the general mandate.

EXTRAORDINARY GENERAL MEETING

At the EGM, necessary resolutions will be proposed to approve the Proposed Transactions.

GENERAL

A circular containing, among other things, information of the Proposed Transactions, expected timetable and trading arrangement in connection with the Capital Reorganization together with a notice of EGM to be held to consider and approve, of the Acquisition, the Capital Reorganization, the change of name of

the Company, the adoption of the New Share Option Scheme and termination of Existing Share Option Scheme, the renewal of the General Mandates and all other transactions contemplated thereunder will be dispatched to the Shareholders within 21 days from the date of this announcement.

A further announcement will be made by the Company when the proposed timetable in relation to the Capital Reorganization and the change of name of the Company is ascertained.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement has the following expressions:

“Accumulated Losses”	the amount of unaudited accumulated losses account of the Company as at the date of petition to the Court in relation to the Capital Reduction. For indicative purpose, the audited accumulated losses of the Company was HK\$131,976,000 for the year ended 31 March 2003 (being the date to which the latest audited consolidated financial statements of the Group were made up)
“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the S&P Agreement
“Associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Capital Reduction”	the Share Capital Reduction and the reduction of all amount standing to the credit of the Share Premium Account
“Capital Reorganization”	The reorganization of the share capital of the Company by way of the Capital Reduction, the Diminution and Increase and the Share Consolidation
“Company”	System Information Technology (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on GEM
“Completion”	completion of the sale and purchase of the Sale Interest pursuant to the terms of the S&P Agreement
“Court”	the Grand Court of the Cayman Islands

“Diminution and Increase”	the reduction of the authorized but unissued share capital of the Company and subsequent restoration of the authorized share capital of the Company back to its original amount of HK\$200,000,000 divided into 100,000,000,000 shares of HK\$0.002 each
“Director(s)”	the director(s) of the Company from time to time
“Employees”	any employee or executive directors of the company, any of its Subsidiaries or associated companies
“Existing Share(s)”	the ordinary share(s) of HK\$0.10 each in the existing issued share capital of the Company
“Existing Share Option Scheme”	the existing share option scheme for the employee of the Company and its Subsidiaries adopted by the Company on 26 August 2000
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“General Mandates”	the general mandates to issue and repurchase Reorganized Shares to be granted to the Directors at the EGM
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hung Luen”	北京中廣鴻聯網絡技術有限公司, a company incorporated in the PRC, and is owned as to 40% by Mr. Li Yi (李義) and the balance of 60% by four independent third parties. The Vendor, the other shareholders of Hung Luen and their respective Associates are not connected with any of the directors, chief executive or substantial shareholders of the Company, or any of its Subsidiaries or their respective Associates
“Intermediate Share(s)”	the new ordinary share(s) of HK\$0.002 each in the share capital of the Company immediately following completion of the Capital Reduction and Diminution and Increase but before the Share Consolidation becoming effective

“New Share Option Scheme”	the new share option scheme to be adopted by the Company at the EGM
“Participants”	full time Employees, executive directors and non-executive directors of the Company, any of its Subsidiaries or associated companies together with any other eligible person(s) who satisfies the eligibility criteria under the New Share Option Scheme
“PRC”	the People’s Republic of China
“Promissory Note”	the 1.00% per annum interest bearing non-transferrable promissory note to be issued by the Company to the Vendor or its nominee on Completion in the principal amount of HK\$1,800,000 redeemable only on the second anniversary date of the date of issue at the option of the Company
“Proposed Transactions”	the proposed transactions including the Acquisition, Capital Reorganization, the proposed change of name of the Company, the proposed adoption of the New Share Option Scheme and termination of Existing Share Option Scheme, the proposed renewal of the General Mandates and all related transactions contemplated therein
“Purchaser”	Top Gallant International Ltd., incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“Reorganized Share(s)”	the new ordinary share(s) of HK\$0.05 each in the share capital of the Company after the Capital Reorganization taking effect
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the conditional sale and purchase agreement dated 8 September 2003 entered into between the Vendor, the Purchaser and Hung Luen pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Interest
“Sale Interest”	the 40% interest in the registered capital of Hung Luen duly contributed by and registered in the name of the Vendor prior to Completion

“Share Capital Reduction”	the reduction in the nominal value of each of the issued Existing Shares from HK\$0.10 to HK\$0.002 by the cancellation of HK\$0.098 paid up capital on each issued Existing Share
“Share Consolidation”	the consolidation of every 25 Intermediate Shares into one Reorganized Share
“Share Premium Account”	the share premium account of the Company (the audited balance of which as at 31 March 2003 is HK\$33,144,000)
“Shareholder(s)”	holder(s) of the Existing Shares or, where the context requires, Reorganized Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	any company, which is for the time being and from time to time, a subsidiary (within the meaning of the Companies Ordinance of Hong Kong or The Companies Laws of the Cayman Islands (2003 Revision) of the Company)
“Vendor”	Mr. Li Yi (李義), an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company, or any of its Subsidiaries or their respective Associates

By order of the board of
System Information Technology (Holdings) Limited
Luk Yat Hung
Chairman

Hong Kong, 9 September 2003

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

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