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COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED
科聯系統集團有限公司*

(Incorporated in Bermuda with limited liability)

PROPOSED ISSUE OF CONVERTIBLE BOND AND GRANT OF OPTION

THE AGREEMENT

The Directors announce that the Company entered into a conditional agreement with Hutchison (a third party independent of the Company and its subsidiaries) and Mr. Ng (a director, the chairman and substantial shareholder of the Company) on 17 January 2000 under which, among other things, (i) the Company has agreed to issue a convertible bond to Hutchison or its subsidiaries in the principal sum of HK$230,276,610.20; (ii) the Company has agreed to grant an option to Hutchison to subscribe for shares representing up to a total of 7.5 per cent. of the total issued share capital of the Company as at the date of the Agreement; (iii) Mr. Ng has agreed to give certain undertakings. The issue of the Bond and the exercise of the Option are subject to certain conditions specified below.

THE BOND

The Bond bears interest at a rate of 6 per cent. per annum payable every six months in arrears. The outstanding principal amount of the Bond is repayable by the Company upon the maturity of the Bond on the second anniversary of its date of issue, if not previously converted by the Bondholder. The Bond is convertible into Shares at any time after its date of issue (provided that conversions up to a maximum of 4 times may be made during the term of the Bond) at an initial conversion price of HK$7.90 per Share, subject to adjustment. The Bond must be converted into Shares in certain circumstances specified below.

The issue of the Bond and the Conversion Shares will be subject to approval of the shareholders of the Company. Upon full conversion of the Bond and assuming that there will be no adjustment to the initial conversion price, a total of 29,148,938 new Shares will be issued, representing approximately 12.5 per cent. and 11.1 per cent. of the current and enlarged issued share capital of the Company, respectively.

THE OPTION

Subject to completion of the issue of the Bond, the Option is exercisable by Hutchison at any time within two years from the date of completion of the issue of the Bond and may be exercised in whole or in part. The exercise price per Share is equal to the conversion price under the Bond. Assuming that the Option is fully exercised at the initial exercise price, a total of 17,489,362 new Shares will be issued upon exercise of the Option representing approximately 7.5 per cent. and 7.0 per cent. of the current and enlarged issued share capital of the Company, respectively.

Assuming that the Bond is fully converted at the initial conversion price and the Option is fully exercised at the initial exercise price, a total of 46,638,300 new Shares will be issued representing approximately 20 per cent. and 16.7 per cent. of the current and enlarged issued share capital of the Company, respectively.

The issue of the Bond, the Conversion Shares, the Option and the Option Shares are subject to approval of the shareholders of the Company at a special general meeting to be convened by the Company. The Company will send a notice of special general meeting to all shareholders of the Company as soon as practicable.

The Company and Hutchison have agreed to use their best endeavours to procure that a joint venture agreement be entered into by the date of issue of the Bond relating to the formation of a joint venture in which the Company and Hutchison will each hold a 50% interest. Details of certain of the proposed terms of the joint venture agreement are specified below.

The Shares were suspended from trading on the Stock Exchange from 10 a.m. on 17 January 2000 at the request of the Company. The Company has made an application to the Stock Exchange to resume trading of the Shares on the Stock Exchange from 10:00 a.m. on 18 January 2000.

AGREEMENT DATED 17 JANUARY 2000

A. THE BOND

1. The Bondholder

Subject to the satisfaction of the conditions referred to in paragraph A.3 below, the Bond will be issued in the name of Hutchison or its subsidiary(ies). Hutchison is an independent third party and is not a connected person (as defined under the Listing Rules) of the Company. Hutchison is a wholly-owned subsidiary of Hutchison Whampoa Limited, a company whose securities are listed on the Stock Exchange and which operates five core businesses in 26 countries: ports and related services; telecommunications; property development and holdings; hotel development and management, retail, manufacturing and other services; and energy and infrastructure.

2. Principal Terms of the Bond

The principal terms of the Bond are summarised below:

(a) Issuer

The Company

(b) Principal Amount

HK$230,276,610.20 payable in full by Hutchison to the Company upon issue of the Bond

(c) Maturity Date and Redemption

Unless previously converted, the outstanding principal amount of the Bond (together with all unpaid and accrued interest) will be repaid by the Company upon its maturity on the second anniversary of the date of issue of the Bond together with accrued interest.

(d) Interest

The Bond will bear interest from its date of issue at the rate of six per cent. per annum, which will be payable once every six months in arrears on the principal amount of the Bond outstanding from time to time.

(e) Conversion Rights

The outstanding principal amount of the Bond or any part thereof may be converted into Shares at any time (provided that conversion up to a maximum of 4 times may be made during the term of the Bond) prior to the maturity date at the relevant conversion price (which is initially HK$7.90 per Share, subject to adjustment). No fraction of a Share will be issued on conversion but (except in cases where any such cash payment would amount to less than HK$10) a cash payment will be made to the Bondholder in respect of such fraction.

The Bondholder must convert the whole of the outstanding amount under the Bond into Shares if the closing price of the Shares on the Stock Exchange in each of any 20 consecutive trading days during the period commencing on the date of issue of the Bond and ending on the maturity date of the Bond is not less than 165 per cent. of the prevailing conversion price.

Assuming that the entire principal amount of HK$230,276,610.20 of the Bond is converted at the initial conversion price, a total of 29,148,938 new Shares will be issued, which represents approximately 12.5 per cent. and 11.1 per cent. of the current and enlarged issued share capital of the Company, respectively.

(f) Ranking of Shares to be Issued Upon Conversion

Conversion Shares will rank pari passu in all respects with all other Shares in issue on the date of the conversion notice and will be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of the conversion notice.

(g) Conversion Price

The initial conversion price of HK$7.90 per Share, subject to adjustment in accordance with the terms of the Bond, was determined after arm's length negotiations.

The initial conversion price of HK$7.90 represents a discount of 16.40 per cent. to the closing price of the Shares of HK$9.45 on the Stock Exchange on 14 January 2000, the last trading day preceding the suspension in trading of the Shares and a premium of 6 per cent. to the average closing price of the Shares of HK$7.44 on the Stock Exchange in the thirty consecutive trading days ending on 14 January 2000.

(h) Voting

The Bondholder will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being the Bondholder.

(i) Transferability

Subject to the relevant rules, laws, regulations, requirements and consents, the Bond may not be transferred except with the prior approval of the Company and (if required) the Stock Exchange except where the Bond is transferred to a holding company of the Bondholder, a subsidiary of such holding company or a subsidiary of the Bondholder. The outstanding principal amount of the Bond may be transferred in full or in part. The Bond may not be transferred to a connected person (as defined in the Listing Rules) of the Company or any of its subsidiaries except with the prior approval of the Company and (if required) by the Stock Exchange.

If the Bond or any part thereof is transferred to a transferee who is a direct or indirect holding company of the Bondholder, a direct or indirect subsidiary of such holding company or a direct or indirect subsidiary of the Bondholder, and the transferee ceases to have the same relationship with the Bondholder, the transferee is required to transfer the Bond and the Bondholder must procure that the Bond is transferred to a party who has one of the aforesaid relationships with the original Bondholder.

3. Conditions to the Issue of the Bond

Completion of the issue of the Bond are conditional upon the following having taken place on or before 28 February 2000 or such later date as may be agreed between the Company and Hutchison:

(a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares and the Option Shares;

(b) if required, the Bermuda Monetary Authority having approved the issue of the Bond, the Conversion Shares, the Option and the Option Shares;

(c) any other conditions as may be required under the Listing Rules and/or by the Stock Exchange;

(d) the approval of the issue of the Bond and the issue and allotment of the Conversion Shares in accordance with the applicable terms of the Agreement and the conditions of the Bond by shareholders of the Company at a special general meeting of such shareholders; and

(e) the approval of the granting of the Option and the issue and allotment of the Option Shares in accordance with the applicable terms of the Agreement by the shareholders of the Company at a special general meeting of such shareholders.

If the conditions are not fulfilled on or before 28 February 2000 or such later date as may be agreed between the Company and Hutchison, failing which the Agreement will be immediately terminated subject to antecedent claims.

4. Completion of Issue of the Bond

Subject to fulfillment of the conditions described in paragraph A.3 above, completion of the issue of the Bond will take place on the 5th banking day following the date on which the last of such conditions are fulfilled or such other date as the Company and Hutchison may agree.

5. Listing of the Bond

The Company does not currently intend to make any application for listing of, or permission to deal in, the Bond on the Stock Exchange or any other stock exchange.

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

6. Use of Proceeds

The net proceeds from the issue of the Bond are estimated to be approximately HK$230 million. It is intended that the net proceeds will be used to help the Company accelerate its development and expansion, particularly in the e-business enabling technology and electronic procurement portal business.

7. Reasons for the Issue of the Bond

The purpose of issuing the Bond is to facilitate the engagement of a strategic partner which would enable and facilitate further expansion of the Group.

B. THE OPTION

1. The Optionholder

In consideration of Hutchison agreeing to enter into the Agreement, the Company has conditionally agreed to grant the Option to Hutchison.

2. Principal Terms of the Option

The principal terms of the Option are summarised below:

(a) Option Shares

Hutchison has the right to exercise the Option in whole or in part to subscribe for up to a total number of Option Shares representing 7.5 per cent. of the total issued share capital of the Company as at the date of the Agreement. However, on the date of the relevant notice given by Hutchison to exercise the Option, if the Bondholder has not fully exercised the conversion rights under the Bond, the Option may only be exercised in the same proportion as the proportion in which the conversion rights under the Bond have been exercised.

Assuming that the Option is fully exercised at the initial exercise price, a total of 17,489,362 new Shares will be issued upon exercise of the Option representing approximately 7.5 per cent. and 7.0 per cent. of the current and enlarged issued share capital of the Company, respectively.

(b) Option Consideration

The exercise price per Share payable by Hutchison upon exercise of the Option is equal to the conversion price (which is initially HK$7.90 per Share, subject to adjustment). The basis of determining the initial conversion price is set out in paragraph A.2(g) above.

(c) Exercise Period

Hutchison may exercise the Option at any time during the period commencing from the date of completion of the issue of the Bond and expiring on the second anniversary of that date or if such date is not a banking day, the banking day immediately preceding such date.

(d) Transferability

The rights under the Option are not transferable.

3. Conditions to the Exercise of the Option

The exercise of the Option or any part thereof is conditional upon the completion of issue of the Bond and the fulfillment of the conditions set out in paragraph A.3 above.

4. Completion of the Exercise of the Option

Subject to fulfillment of the conditions referred to in paragraph B.3 above, completion of the exercise of the Option will take place on a date to be specified by Hutchison in the notice of exercise of the Option, being a banking day falling at least 3 banking days after the date of the option notice.

5. Use of Proceeds

The net proceeds from the exercise of the Option are estimated to be approximately HK$138 million. It is intended that the net proceeds will be used for general working capital purposes.

6. Reasons for the Grant of the Option

The purpose of issuing the Option is to strengthen the long-term working relationship with the strategic partner.

C. TOP-UP SUBSCRIPTION

Subject to the requirements of the Listing Rules and other applicable rules, laws and regulations, and provided that the Bond has not been transferred to any person other than Hutchison's subsidiaries, if the Company allots and issues any new Shares to any third parties (except pursuant to an exercise of any option granted under the Company's employees' share option scheme), the Company shall offer Hutchison the right to subscribe for up to 20 per cent. of such new Shares to be allotted and issued on (in so far as reasonably practicable and appropriate) the same terms as such Shares are offered to such third parties. Such offer will be open for a period of 3 banking days from the date of notice of the offer given by the Company and to the extent that Hutchison shall not subscribe for any such Shares offered, the Company will be free to issue and allot such Shares to other parties on terms no less favourable to the Company than those offered to Hutchison.

D. BOARD REPRESENTATION

Subject to the issue of the Bond and the conditions set out below, Hutchison may at any time from the date of the issue of the Bond appoint a nominee as a director of the Company. Hutchison must procure that its nominee director shall resign as director of the Company as soon as practicable if (i) during the term of the Bond, Hutchison disposes of the Bond or any part thereof other than to its subsidiaries, and Hutchison and its subsidiaries together hold Conversion Shares or Option Shares representing less than 7.5 per cent. of the then issued share capital of the Company; or (ii) after the expiry of the Bond, Hutchison and its subsidiaries together hold less than 7.5 per cent. of the then issued share capital of the Company.

E. UNDERTAKINGS BY MR. NG

Provided that Mr. Ng has the right to vote at the relevant special general meeting to be held to consider the resolutions referred to in paragraph A.3(d) and (e) above, Mr. Ng has undertaken to exercise all his voting rights as a shareholder of 47.7 per cent. of the issued share capital of the company in favour of such resolutions. Mr. Ng has no interests in Hutchison.

F. JOINT VENTURE AGREEMENT

The Company and Hutchison have agreed to use their respective best endeavours to procure that a joint venture agreement containing the following terms be signed by the date of issue of the Bond:

(a) the Company and Hutchison (or their respective subsidiaries) will each hold 50 per cent. of the share capital of the joint venture;

(b) the purpose of the joint venture is to build a resource team for the implementation of information technology related solutions and services and E-commerce related application development; and

(c) the main activities of the joint venture are to provide services to the group companies of both the Company and Hutchison.

A further announcement on the details of the joint venture agreement will be published upon its signing, if so required under the Listing Rules.

GENERAL

The Company is principally engaged in the business of systems integration, the provision of related technical services, and the distribution of computer hardware and software and related accessories.

The Company will convene a special general meeting as soon as practicable to consider, among other things, the resolutions referred to in paragraph A.3(d) and (e) above. The Company will send a notice of special general meeting to all shareholders of the Company as soon as practicable.

The Shares were suspended from trading on the Stock Exchange from 10 a.m. on 17 January 2000 at the request of the Company. The Company has made an application to the Stock Exchange to resume trading of the Shares on the Stock Exchange from 10 a.m. on 18 January 2000.

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Agreement"	the agreement in respect of the issue of convertible bond and option between the Company, Hutchison and Mr. Ng dated 17 January 2000;
"Directors"	the directors of the Company;
"Bond"	the convertible bond in the principal sum of HK$230,276,610.20 to be issued by the Company to Hutchison or its subsidiary(ies);
"Bondholder"	the person who is for the time being the registered holder of the Bond;
"Company"	Computer And Technologies Holdings Limited;
"Conversion Shares"	the Shares to be issued by the Company upon exercise by the Bondholder of the conversion rights under the Bond;
"Hutchison"	Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, whose securities are listed on the Stock Exchange;
"Mr. Ng"	Mr. Ng Cheung Shing, a director and the chairman of the Company and the beneficial owner of 47.7 per cent. of the existing issued Shares;
"Option"	the option granted by the Company to Hutchison to subscribe for the Option Shares;
"Option Shares"	means the Shares to be issued by the Company upon exercise of the Option or part(s) thereof, such number of Shares representing 7.5 per cent. of the total issued share capital of the Company as at the date of the Agreement; and
"Shares"	issued shares of HK$0.10 each in the share capital of the Company.

By Order of the Board
Ng Cheung Shing
Chairman

Hong Kong SAR, 17 January 2000

* *For identification only*