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Codebank Limited

數碼庫有限公司

(incorporated in Hong Kong with limited liability)

**CLARIFICATION OF PRESS ARTICLE
AND RECENT DEVELOPMENTS OF THE COMPANY**

The directors (“Directors”) of Codebank Limited (the “Company”) would like to inform shareholders of the Company of certain recent events which are under investigation by the Directors and the current developments of the Company.

Trading in the shares of the Company was suspended on 14 May 2002 and will remain suspended pending the completion of investigation of the above matters and the release of the first quarter results of the Company and its subsidiaries for the three months ended 31 March 2002.

The Stock Exchange is looking into these matters and has indicated that it reserves the right to take any appropriate action.

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Newspaper articles dated 24 May and 25 May 2002

The Directors have noted two newspaper articles on 24 May and 25 May 2002 which reported, amongst other things, that an amount of HK\$10 million is allegedly missing from the Company. The Directors are currently investigating the matter.

The Directors would like to inform shareholders of the Company of the following:

- In December 2001, 105,240,000 new shares (“Shares”) of the Company were placed to investors in respect of the placing (“Placing”) of the Shares at the time of listing on 21 December 2001 (the “Listing”) of the Shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited to raise gross proceeds of HK\$52,620,000 for the Company.
- As at 31 December 2001, there was an amount of about HK\$20.6 million receivable (the “Receivable”) by the Group which represented part of the proceeds (the “Proceeds”) from the Placing. In early March, based on the bank statement records of the Company, the management of the Company believed that all the Proceeds had been received.

- On 15 April 2002, Mr. Yu Hang Chung, Herman (“Mr. Yu”), the former chairman and executive Director of the Company, faxed to the Company a loan agreement dated 28 February 2002 under which the Company purportedly borrowed a loan of HK\$10 million from a third party lender; such loan to be repaid with fixed interest of HK\$700,000 on 16 April 2002 (the “Loan Agreement”). Mr. Yu requested the management of the Company to repay the HK\$10 million loan together with interest to the lender. The Loan Agreement was entered into without any approval by the board of Directors. To avoid the Company incurring further interest charges, the board of Directors, including one independent non-executive Director, approved the repayment of the HK\$10 million loan and interest to the lender. The principal and interest of the loan were duly repaid on 17 April 2002.
- On 16 April 2002, Mr. Yu disclosed to the management that HK\$10 million of the Proceeds is still outstanding from placee(s). In this connection, upon reviewing the status of collection in respect of the Receivable, it is now confirmed that the Company had in fact received payments totaling in aggregate about HK\$10.6 million during the period January to March 2002. The Company has already started an investigation into this matter and will be considering proper courses of action when their enquiries are finalised and will make an announcement in due course.

Claim by CBC Information Technology Limited (“CBC”)

The Company received letters dated 19 December 2001 and 9 May 2002 from CBC, a shareholder of the Company holding about 3.42% of the issued share capital of the Company as disclosed in the prospectus (“Prospectus”) of the Company dated 17 December 2001, claiming that certain obligations of the Company to allot shares were not fulfilled under the share subscription agreement (“Share Subscription Agreement”) made between the Company and CBC dated 1 March 2001 (the “Claim”). In CBC’s letter dated 19 December 2001, CBC alleged that the Company should allot and issue further shares to CBC pursuant to the Share Subscription Agreement. Having obtained legal advice from the Company’s solicitors (“Company Lawyers”) involving in the Listing confirming the Company’s position, the Company considers that it is under no obligation whatsoever to allot and issue further shares to CBC pursuant to the terms of the Share Subscription Agreement. The Company Lawyers informed CBC on 14 May 2002 accordingly. On 17 May 2002, the Company received another letter from CBC indicating that it will seek a declaration of the court in relation to the Claim. The Company is currently seeking legal advice in respect of the Claim but has not yet taken any action. Further announcement will be made by the Company in respect of any development.

Amount of HK\$4.6 million in respect of the project in Sichuan

On 15 April 2002, a PRC subsidiary of the Company paid an amount of about HK\$4.6 million to a PRC company based in Beijing. The payment was approved by Mr. Yu and Mr. Deng Yi (“Mr. Deng”), the general manager of the Company in the PRC, for a project in Sichuan to purchase IT software and hardware. The board of Directors is investigating how the amount of HK\$4.6 million was actually applied.

The Company will be considering proper courses of action when their enquiries are finalised and will make an announcement in due course.

Change of Directors and members of the senior management

Subsequent to the Listing on 21 December 2001, a number of Directors and members of the senior management of the Group have resigned. Among the executive Directors, Mr. Kam Chun Ying Francis and Mr. Yu, resigned on 8 March 2002 and 30 April 2002 respectively. Mr. Cheung Chun Ying, Victor and Mr. Lau Wah Sum, both independent non-executive Directors, resigned on 19 April 2002 and 7 May 2002 respectively. As a result of the resignation by the two independent non-executive Directors, the Company does not have any independent non-executive Directors and is unable to form an audit committee. The Company is therefore unable to comply with Rules 5.05 and 5.23 of the Rules Governing the Listing of Securities of GEM (the “GEM Listing Rules”).

Mr. Suen Kwok Kin, an executive Director, and Mr. Woo Chia Wei, a non-executive Director tendered their resignations respectively on 13 May and 15 May 2002. Mr. Woo Chia Wei resigned due to, among other reasons, the recent resignations of other Directors of the Company, while Mr. Suen Kwok Kin resigned for personal reasons. However, such resignations have not yet been approved by the board of Directors. The qualified accountant and company secretary of the Company resigned on 16 May 2002. The Company intends to appoint a replacement qualified accountant and company secretary as soon as possible.

In addition to the resignation of the Directors, certain members of the senior management of the Group as disclosed in the Prospectus including Mr. Ng Wing Hong, Mr. Lo Hoi Keung, Mr. Chan Kwok Wai, Andrew, Mr. Au-Yeung Hui, Simon have also resigned subsequent to the Listing. There were also two key accounting staff resigning in January 2002 and April 2002 respectively. Due to the lack of accounting staff, the Company has been unable to publish its first quarter results for the three months ended 31 March 2002. The Company will publish its first quarter results as soon as practicable.

Mr. Deng was duly appointed as an executive Director of the Company on 30 April 2002. An announcement was made by the Company on 3 May 2002 regarding his appointment. On 10 May 2002, the Company received a letter from Mr Deng’s solicitors claiming that Mr Deng has not accepted such appointment. The Company received a further letter from Mr Deng’s solicitors dated 27 May 2002 claiming that the “nomination” by the Company of him as the general manager of a PRC subsidiary of the Company was invalid, and giving notice to the Company of Mr Deng’s intention to resign as general manager of the said company (should such nomination be effective) and any other position in which the Company may consider Mr Deng to be employed.

The Company wishes to inform shareholders of the Company that a contract of employment was signed by Mr Deng on or about 15 March 2002 confirming and accepting his employment as general manager of the Company in the PRC region. Furthermore, Mr Deng signed a written consent to act as director of the Company (Form D3 - Consent to Act as a Director) on 30 April 2002.

The Company regards the letter from Mr Deng’s solicitors dated 27 May 2002 as Mr Deng’s notice of resignation of his positions as executive Director and general manager of the Company. The board of Directors will convene a board meeting to consider Mr Deng’s resignation as executive Director of the Company.

As at the date of this announcement, a total of seven Directors have either resigned or tendered their resignations. The remaining members of the board of Directors and senior management staff of the Group are: Mr. Cheng Yu Hong, an executive Director, Mr. Choy Mun Kei, a non-executive Director, Mr. Tang Gan Gene, Mr. Jiang Jing Hua, and Ms. Lam Ching Shan, all of whom are members of the senior management of the Group. For the qualifications of the members of the senior management of the Group, please refer to pages 83 to 84 of the Prospectus.

Business, operations and development of the Company subsequent to the Listing

As at 16 May 2002, the total cash and bank balances of the Group amounted to about HK\$1.38 million.

Due to the tight cash position of the Group, the Company has postponed monthly loan repayments in respect of the months of March and April 2002 of about HK\$140,000 each to The Hongkong and Shanghai Banking Corporation Ltd (“HSBC”). On 14 May 2002, HSBC served a statutory demand on the Company pursuant to section 178 of the Companies Ordinance (Cap 32) in respect of credit facilities granted by the bank to the Company in the amount of approximately HK\$3.18 million as at 13 May 2002. In addition, HSBC had also withdrawn the banking facilities of the Company. The Company intends to negotiate with HSBC regarding the banking facilities. The Company has also received a demand for payment from another financial institution in respect of a loan of about HK\$140,000. Save as disclosed above, the Directors are so far not aware of any other demand for repayments from banks and other financial institutions.

The Directors believe that the daily operations of the Company may be affected by the tight cash position of the Company and the series of resignation of Directors and members of the senior management of the Group.

The Company is currently in preliminary discussions with potential investor(s) of the Company in relation to the proposed issue of new Shares or other securities of the Company. However, no terms have yet been agreed between the Company and the potential investor. Further announcement will be made as and when appropriate.

Trading in the shares of the Company was suspended on 14 May 2002 and will remain suspended pending the completion of investigation of the above matters and the release of the first quarter results of the Company and its subsidiaries for the three months ended 31 March, 2002.

The Stock Exchange is looking into the above matters and has indicated that it reserves the right to take any appropriate action.

By order of the Board
Codebank Limited
Cheng Yu Hong
Director

Hong Kong, 28 May 2002

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Codebank Limited. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make 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 “Latest Company Announcements” page on the GEM website for at least seven days from its date of publication.