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Codebank Limited

數碼庫有限公司

(incorporated in Hong Kong with limited liability)

**DESPATCH OF THE OFFEREE DOCUMENT ON THE
CONDITIONAL PARTIAL CASH OFFER
BY EMPEROR CAPITAL LIMITED ON BEHALF OF
POLYWISE LIMITED AND
RECENT DEVELOPMENTS OF THE COMPANY**

The directors of Codebank Limited hereby confirm the despatch of the Offeree Document to shareholders of the Company on 2 August 2002 in response to the conditional partial cash offer made by Emperor Capital Limited on behalf of Polywise Limited on [27 June 2002](#).

This announcement also includes recent developments of the Company.

Trading in the Shares was suspended on 14 May 2002 and will remain suspended pending the completion of the investigation as stated in the announcement of the Company dated 28 May 2002 and the release of the first quarter results of the Company and its subsidiaries for the three months ended 31 March 2002.

Despatch of Offeree Document

Reference is made to the offer document (the [“Offer Document”](#)) issued by Emperor Capital Limited on behalf of Polywise Limited dated 27 June 2002 and announcements of renren Holdings Limited dated [6 June 2002](#), [12 July 2002](#) and [22 July 2002](#). Capitalised terms used in the Offer Document shall have the same meaning herein unless otherwise defined.

The directors (the “Directors”) of Codebank Limited (the “Company”) hereby confirm the despatch of the Offeree Document to shareholders of the Company on 2 August 2002 in response to the conditional partial cash offers (“Partial Offers”) made by Emperor Capital Limited on behalf of Polywise Limited as stated on the announcement of the Company dated 19 July 2002. Professional advice to Independent Shareholders from Centurion Corporate Finance Limited (“Centurion”), the independent financial adviser of the Company, was also included in the Offeree Document. Shareholders are advised to read the “Letter From

Centurion” carefully before taking any action about their shares.

Recommendation of Centurion

This is an extract of the recommendation of Centurion to Independent Shareholders which has been included in the Offeree Document:

“Independent Shareholders should note that the Company is in discussion with other prospective investors and any rescue proposal will need to be undertaken in an urgent manner in order to preserve Shareholder value. As at the Latest Practicable Date, the Company has yet to enter into a definitive agreement with any of the prospective investors. The entering into of a definitive agreement is only the first step in a corporate restructuring exercise, as such agreement still requires the respective approvals from Shareholders, regulators and in this case, the Company's creditors. Even if trading in the Shares is resumed, it is likely that such trading will be volatile, possibly even at prices lower than those achieved prior to the Pre-Suspension Date and given the lack of liquidity in the Shares, exiting from the Shares by Independent Shareholder en masse would not be easy.

We are of the opinion that the Partial Offers are unfair and unreasonable, when compared with historical data and Share price performance. In particular, the total cost incurred by the Company for listing of the Shares on the GEM alone was HK\$14 million some seven months ago and in comparison, the Share Offer values 100 per cent. of the Company at HK\$12 million only. Independent Shareholders should however, note that (i) the assumption that the Company is on a going concern basis is only valid if the Company could obtain cash injection in the near future; (ii) throughout its short history as a listed company, the Company has visible and material deficiency in corporate governance; (iii) none of the current rescue proposals offers any exit for Independent Shareholders to sell their Shares to the investor upfront; and (iv) in the meantime, the business contacts and track record of the Group in its Internet technology and platform provider sector may be encroached.

As mentioned in the section above headed "Summary", Independent Shareholders who are unwilling or unable to wait for the Company to be rescued and restructured could take advantage of the Partial Offers in order to dispose some of their Shares, or if trading of the Shares is resumed, sell in the marketplace if the net proceed from such sale exceeds those offered under the Share Offer. In this regard, Independent Shareholders should note that Offer Shares tendered in acceptance of the Share Offer will attract seller's stamp duty only (and not brokerage, transaction levy and other expenses which will be incurred under the market disposal route). Independent Shareholders who wish to accept the Share Offer is advised not to tender their Offer Shares immediately and instead, tender their Offer Shares just prior to the Closing Date, so that they may benefit from any further development in the market place.

Independent Shareholders who are prepared to take the completion risk associated with a rescue proposal should note that (i) it will take at least months for such a proposal to be fully implemented; (ii) following completion of such proposal, their current shareholding in the Shares could be materially diluted; and (iii) their exit from their remaining Shares will depend on the then market price per Share and the level of liquidity.

In view of the fact that the Shares have been trading substantially below the exercise prices to subscribe new Shares pursuant to the Options, we consider the offer price of HK\$0.001 to cancel an Option fair and reasonable. Neither the Share Offer nor the Option Offer has any benefit to the Company in so far as injection of new funds is concerned. As set out above in this letter, it would not be easy for the Offeror to gain control of the Board, given that the Offeror will not be the largest Shareholder following the successful completion of the Partial Offers and the Board has stated its intention to resist any Director nominated by the Offeror. If the Offeror fails to gain control of the Board, it would not be able to formulate any long term strategy for the Group.”

Revised Auditors’ Report

PricewaterhouseCoopers, the auditors of the Company, have notified the Company on 31 July 2002 that its opinion on the Company and its subsidiaries (the “Group”)’s audited accounts for the year ended 31 December 2001 are revised from a true and fair view to a qualified one. The revised auditors’ report which has been included in the Offeree Document is reproduced below:

“The Group's audited accounts for the year ended 31 December 2001 were qualified on 31 July 2002, the following is the qualified auditors' report received from PricewaterhouseCoopers:-

REVISED AUDITORS' REPORT TO THE SHAREHOLDERS OF CODEBANK LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 31 to 65 of the annual report of Codebank Limited (the "Company") dated 25 March 2002 which have been prepared in accordance with accounting principles generally accepted in Hong Kong other than as set out below. We issued an unqualified opinion ("our Previous Opinion") on these accounts on 25 March 2002. However, the matters discussed in the public announcement made by the Company on 28 May 2002 (the "28 May Announcement"), and our discussions of these matters with certain previous and current directors, now cause us to believe that some evidence provided to us by the Company during our audit is unlikely to be reliable and is therefore not a satisfactory basis for our Previous Opinion. Accordingly, we have decided to revise our opinion on these accounts. In addition, the 28 May Announcement includes discussion of certain other matters which will be the subject of further investigation by the existing directors. The outcome of this investigation is uncertain.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts

and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Revised opinion -- Adverse opinion

We have been informed by certain previous and current directors that outstanding proceeds from the December 2001 listing totalling HK\$10 million, which were included as part of prepayments, deposits and other receivables in the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2001, and which we previously had been led to believe had been received in February 2002, have not been received and may not be collected. Accordingly, full provision of HK\$10 million should have been made, increasing the Group's loss for the year and reducing the net assets of the Group and the Company at 31 December 2001 by that amount. We understand that the Company will conduct an investigation on this matter.

In addition to the matter referred to above, we have also been informed by certain previous and current directors that the Company and the Group are currently unable to fulfil certain loan obligations. Nonetheless, the accounts have been prepared on a going concern basis. In view of the non-availability of additional funding for the Group's operations, we believe that the going concern basis should not be used. Had the going concern basis not been used, adjustments would have to be made in the accounts to reclassify non-current assets as current assets, long-term liabilities as current liabilities, reduce the value of assets to their recoverable amounts and provide for any future liabilities which might arise. Such adjustments may have a consequential significant effect on the Group's loss for the year ended 31 December 2001 and the net assets of the Group and the Company as at 31 December 2001.

In view of the significance of the matters referred to in the preceding two paragraphs, in our opinion, the accounts do not give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the Group's loss and cash flows for the year

then ended and as to whether the accounts have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 July 2002”

Restoration of the Board

Subsequent to a series of resignation as stated in the announcement of the Company dated 28 May 2002, the Directors are pleased to announce the following appointment and the restoration of the Board of Directors (the “Board”).

The Directors hereby announce that Mr. Deng Yi has re-accepted the appointment as the chairman, chief executive officer, executive Director and authorized representative of the Company on 13 June 2002.

The Directors also announce that Mr. Suen Kwok Kin has withdrawn his resignation as an executive Director on 13 June 2002 subsequent to his resignation tendered on 13 May 2002.

The Board is also in the process of identifying additional Directors, including the possible appointment of Mr. Chan Wing Nga as an independent non-executive Director.

As of the date of this announcement, the composition of the Board is as follow:

Directors:

Deng Yi
Cheng Yu Hong
Suen Kwok Kin

Non-executive Director:

Choy Mun Kei

Appointment of Financial Adviser

As at the Latest Practicable Date, the Company has received one demand letter from its bank creditor and three writs of summons from other creditors. The approximate claiming amount is HK\$4.5 million. KPMG Financial Advisory Services has recently been appointed as financial adviser to the Company on the possible restructuring of the Group.

Compliance with the Public Float Requirement

Assuming the Offeror acquired 29 % of the Shares in issue, public float will be reduced to approximately 24.35% following Completion.

The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands following the Completion, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in

the Shares.

Continued Suspension of Trading

Trading in the Shares was suspended on 14 May 2002 and will remain suspended pending the completion of the investigation as stated in the announcement of the Company dated 28 May 2002 and the release of the first quarter results of the Company and its subsidiaries for the three months ended 31 March 2002.

By order of the Board
Codebank Limited
Cheng Yu Hong
Director

Hong Kong, 2 August 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 Growth Enterprise Market (“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.