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Codebank Limited

數碼庫有限公司

(incorporated in Hong Kong with limited liability)

**POSTPONEMENT OF RELEASE OF THE INVESTIGATION RESULT
UPDATED STATUS OF THE PROPOSAL FROM TOP EDGE
UPDATED STATUS OF THE JUDGMENT DEBT
AND A RESTRUCTURING PROPOSAL FROM THE JUDGMENT CREDITORS**

The Board of the Company would like to inform its shareholders that the release of the result of the Investigation conducted by the Committee would be further delayed indefinitely subject to further injection of sufficient funds to the Company for the settlement of professional fees involved in the Investigation process.

With respect to the proposal accepted by the Company from Top Edge as disclosed in the Company's announcements dated 30 August 2002 and 7 October 2002, no Subscription Agreement has yet been entered into between the Company and Top Edge. In addition to Top Edge's ongoing due diligence review on the Group, all parties concerned are currently reviewing and negotiating details of the terms of the Subscription Agreement to be entered between the Company and Top Edge. Since 31 October 2002, the date of the last announcement of the Company and in view of the current financial position of the Group, Top Edge has proposed certain additional terms to the Company.

With respect to the Company's announcement dated 31 October 2002 regarding the Judgment Creditors, the Company is currently engaged in the negotiation process with the Judgment Creditors on the terms of the settlement of the Judgment Debt. So far, no settlement has yet been reached.

A Restructuring Proposal has been received by the Company from the Judgment Creditors on 14 November 2002. However, according to the Letter of Intent, the Company has granted Top Edge an exclusivity period of six months, expiring on 15 February 2003, during which the Company agreed not to, amongst others, encourage, initiate or solicit other investment proposals. Therefore, the Company is not in the position to discuss, negotiate or inquire details of the Restructuring Proposal at the present moment and no formal agreement has yet been entered between the Company and the Judgment Creditors.

Trading in the shares of the Company 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, the second quarter results and the third quarter results of the Company and its subsidiaries respectively for the three months ended 31 March 2002, the six months ended 30 June 2002, and the nine months ended 30 September 2002. The foregoing constitutes a breach of the requirements set out in paragraph 18.53, 18.54, 18.66 and 18.67 of the GEM Listing Rules respectively. In this regard, the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company.

Further Delay in Release of Investigation Result

With reference to the announcement of Codebank Limited (the “Company”) dated 29 August 2002, the special investigation committee (the “Committee”) expects to complete the investigation on matters disclosed in the announcement of the Company dated 28 May 2002 (the “Investigation”) and to make recommendation to the board of directors (the “Board”) on appropriate actions to be taken by the end of October 2002. However, as disclosed in the Company’s announcement dated 31 October 2002, the Committee advised that the release of the Investigation result would be postponed to on or before the end of November 2002 pending responses from some of the parties concerned.

The Board would like to inform its shareholders that a draft of the Investigation report, which has not been released to the Company, should have been prepared by the Committee. However, as the Company does not have sufficient fund for the payment of the professional fees involved in the Investigation progress, the release of the Investigation result would be further delayed indefinitely subject to further injection of sufficient funds to the Company. Further announcement will be made upon the completion and release of the Investigation result.

An Update on Top Edge’s Proposal

With respect to the proposal accepted by the Company from Top Edge Tradings Limited (“Top Edge”) as disclosed in the Company’s announcements dated 30 August 2002 and 7 October 2002, no formal agreement for the subscription of new shares in the Company (the “Subscription Agreement”) has yet been entered into between the Company and Top Edge. In addition to Top Edge’s ongoing due diligence review on the Company and its subsidiaries and associated companies (the “Group”), all parties concerned are currently reviewing and negotiating details of the terms of the Subscription Agreement to be entered between the Company and Top Edge. Since 31 October 2002, the date of the last announcement of the Company and in view of the current financial position of the Group, Top Edge has proposed certain additional terms to the Company, including but without limitation, that upon execution of the Subscription Agreement, an additional monthly funding of up to HK\$250,000 may be provided by Top Edge to the Company to meet its immediate financial needs; the long stop date will be on 30 June 2003; and subject to the relevant consent is obtained, three additional directors nominated by Top Edge will be appointed to the board of the Company. The Company is considering this proposal and other terms of the subscription agreement. The Company will make further announcement(s) about the progress as and when it is appropriate and the implications under the Hong Kong Code on Takeovers and Mergers upon the signing of the said subscription agreement with Top Edge.

An Update on the Judgment Debt

With respect to the Company’s announcement dated 31 October 2002 regarding the Judgment of HCA3686/2002 dated 25 October 2002 in the High Court of the Hong Kong Special Administrative

Region received by the Company on 28 October 2002 in favour of Bestcharm Holdings Limited and Hugh Rich Limited (collectively, the “Judgment Creditors”), the Company is liable to pay the Judgment Creditors in a sum of HK\$3,168,011.39 and interest thereon, if any (the “Judgment Debt”), the Company is currently engaged in the negotiation process with the Judgment Creditors on the terms of the settlement of the Judgment Debt. So far, no settlement has yet been reached. Further announcement will be made when necessary.

Restructuring Proposal from the Judgment Creditors

The Company received a restructuring proposal (the “Restructuring Proposal”) from the Judgment Creditors on 14 November 2002. Major terms of the Restructuring Proposal include the followings:

1. 666,670,000 preference shares (the “Preference Shares”) of HK\$0.01 each which will be created and issued by the Company to the Judgment Creditors at a price of HK\$0.015 per Preference Share, for a total consideration of HK\$10,000,050. The Preference Shares will carry the same voting rights as the ordinary shares, will not be listed on The Stock Exchange of Hong Kong Limited and will rank pari passu with the Company’s ordinary shares in terms of dividend and other distributions.
2. Immediately upon the issue of the Preference Shares, the Judgment Creditors will hold 52.6% of the voting rights of the Company. Subject to the completion of the subscription, the Judgment Creditors will be obliged to make a mandatory offer at a price of HK\$0.015 per share in accordance to Rule 26 of the Hong Kong Code on Takeovers and Mergers;
3. A capital reduction in the par value of the existing shares of the Company from HK\$0.10 to HK\$0.01 (the “New Shares”) by way of capital reorganization scheme (the “Capital Reorganization”);
4. The Judgment Creditors propose to capitalize the Judgment Debt (the “Loan Capitalization”) in full into the New Shares based on the same price of HK\$0.015 per New Share upon the Capital Reorganization becoming effective;
5. The Preference Shares shall be mandatorily converted into New Shares subject to the Capital Reorganization becoming effective.
6. As stated in the Proposal, there may also be a rights issue on the basis of one rights share for every two shares of the Company, after completion of the Capital Reorganization, conversion of the Preference Shares and the Loan Capitalization.

The issue of the Preference Shares is subject to, amongst others, the shareholders approving the issue of the Preference Shares, the Capital Reorganization and necessary amendments to the Articles of Association of the Company and the Stock Exchange granting the approval for the listing of, the permission to deal in the new ordinary shares upon conversion of the Preference Shares and the Capital Reorganization becoming effective and other relevant requirement of the GEM listing rules.

Bestcharm Holdings Limited is a British Virgin Islands investment company, which currently owns 0.014% of the issued share capital of the Company. Mr. Lam Sze Chau and Mr. Chiu Ping Chau own 60% and 40% of Bestcharm Holdings Limited respectively, both being independent third parties of

the Company.

Hugh Rich Limited is an investment company incorporated in the British Virgin Islands and is controlled by Ms. Linda Lau Yuen Heung, the CEO of Hownew.com Limited, being independent third party of the Company.

According to the letter of intent entered into between the Company and Top Edge on 16 August 2002 (the "Letter of Intent"), the Company has granted Top Edge an exclusivity period of six months, expiring on 15 February 2003, during which the Company is not allowed to, amongst others, encourage, initiate or solicit other investment proposals. Accordingly, the Company is not in a position to discuss, negotiate or inquire details of the Restructuring Proposal at the present moment and no agreement has yet been entered between the Company and the Judgment Creditors.

The Restructuring Proposal, if proceeded, will be subject to the Hong Kong Code on Takeovers and Mergers and the GEM Listing Rules. Further announcement will be made as and when it is appropriate.

Current Financial Position and Operations of the Group

Currently, the Group is in serious financial difficulties pending further funding to be injected into the Group by Top Edge. As at the date of this announcement, the Group has 17 employees. In terms of operations, the Group is continuing its business in the provision of information technology services to its customers. Those information technology services include e-business such as web development, multiple access platform such as mobile phone value-added services business and the e-education business such as school e-mail services as well as maintenance of its software platform namely e-Campus. No further development cost is needed at the present moment since the required internet platform and other related hardware are already in place.

Continued Suspension of Trading

Trading in the shares of the Company was suspended on 14 May 2002 and will remain suspended pending completion of the investigation as stated in the announcement of the Company dated 28 May 2002 and the release of the first quarter results, the second quarter results and the third quarter results of the Company and its subsidiaries respectively for the three months ended 31 March 2002, the six months ended 30 June 2002 and the nine months ended 30 September 2002. The foregoing constitutes a breach of the requirements set out in paragraph 18.53, 18.54, 18.66 and 18.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules") respectively. In this regard, the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company.

By order of the Board
Codebank Limited
Cheng Yu Hong

Director

Hong Kong, 19 December 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.

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