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PLOTIO

百利好集團有限公司*

PLOTIO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

WHICH INVOLVES THE ISSUE OF NEW SHARES

Financial advisers to Plotio Holdings Limited

PACIFIC CHALLENGE

Pacific Challenge Capital Limited

CONTENTS

Page

Definitions	1
 Letter from the Board	
Introduction	4
The Acquisition Agreement	5
Information on Codebank	10
Reasons for the Acquisition Agreement	11
Further information	11
 Appendix I – Business valuation report of Codebank	12
 Appendix II – General information	15

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition Agreement”	the agreement for the sale and purchase and subscription of shares dated 4 March, 2000 entered into between the Company, the Vendors, and Codebank
“Agency Agreement”	the agreement dated 3 February, 2000 entered into between the Company and the Agent
“Agent”	Land First Holdings Limited, a company incorporated in Hong Kong with limited liability
“Agent Shares”	3,000,000 Shares at an issue price of HK\$2.50 per Share to be allotted and issued to the Agent pursuant to the Agency Agreement
“associate(s)”	has the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Codebank”	Codebank Limited, a company incorporated in Hong Kong with limited liability
“Consideration Shares”	the Stage 1 Consideration Shares and the Stage 2 Consideration Shares
“Company”	Plotio Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Hycomm”	Hycomm Technology Incorporated, a company incorporated as an international business company in the British Virgin Islands
“Group”	the Company and its subsidiaries
“Issue Price”	the issue price of HK\$2.50 per Consideration Share
“Latest Practicable Date”	22 March, 2000, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Sale Shares”	the Stage 1 Sale Shares and the Stage 2 Sale Shares
“Sallmanns”	Sallmanns (Far East) Limited, independent chartered surveyors, valuers
“SDI Ordinance”	The Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Stage 1”	the acquisition of the Stage 1 Sale Shares and the subscription of the Stage 1 Subscription Shares in accordance with the Acquisition Agreement
“Stage 1 Completion”	the completion of Stage 1
“Stage 1 Consideration”	the total consideration of HK\$85,500,000 for the Stage 1 Sale Shares and the Stage 1 Subscription Shares, payable by the Company pursuant to the Acquisition Agreement
“Stage 1 Consideration Shares”	34,200,000 Shares to be allotted and issued to the Vendors and Codebank at the Issue Price at Stage 1 Completion in full satisfaction of the Stage 1 Consideration
“Stage 1 Sale Shares”	112,500 Class A shares of HK\$0.10 each in the issued share capital of Codebank
“Stage 1 Subscription Shares”	123,626 Class A shares of HK\$0.10 each in the issued share capital of Codebank
“Stage 2”	the acquisition of the Stage 2 Sale Shares and the subscription of the Stage 2 Subscription Shares in accordance with the Acquisition Agreement
“Stage 2 Completion”	the completion of Stage 2
“Stage 2 Consideration”	the total consideration of HK\$85,500,000 for the Stage 2 Sale Shares and the Stage 2 Subscription Shares, payable by the Company pursuant to the Acquisition Agreement
“Stage 2 Consideration Shares”	34,200,000 Shares to be allotted and issued to the Vendors and Codebank at the Issue Price at Stage 2 Completion in full satisfaction of the Stage 2 Consideration
“Stage 2 Sale Shares”	118,063 Class A shares of HK\$0.10 each in the issued share capital of Codebank

DEFINITIONS

“Stage 2 Subscription Shares”	143,980 Class A shares of HK\$0.10 each in the issued share capital of Codebank
“Subscription Shares”	the Stage 1 Subscription Shares and the Stage 2 Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor(s)”	Yu Hang Chung, Kam Chun Ying, Ng Wing Hong, Suen Kwok Kin and Techrich Ltd.
“Warrants”	warrants of the Company in units of subscription rights of HK\$0.75 each entitling the holders thereof to subscribe in cash for Shares from 12 October, 1998 until 4:00 p.m. Hong Kong time on 12 October, 2000 (both days inclusive), at an initial subscription price of HK\$0.75 per Share, subject to adjustments (adjusted to HK\$0.74 on 1 June, 1999)
“HK\$”	Hong Kong dollars
“%”	percentage

LETTER FROM THE BOARD



PLOTIO

百利好集團有限公司*

PLOTIO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Lai Yiu Keung (*Chairman and Managing Director*)
Ms. Chung Lai Ha (*Deputy Chairman*)
Mr. Kwok Chong, Anthony
Mr. Lai Chi Kin
Mr. Cheung Kin Keung
Mr. Tang Xueyi

Non-executive Directors:

Mr. Tsui Tack Kong
Mr. Lam Hon Keung, Keith

Independent non-executive Directors:

Mr. Ling Kam Tong, Victor
Mr. Ho John

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:

2nd Floor
Hillier Building
273-277 Queen's Road Central
and 33 Hillier Street
Central, Hong Kong

24 March, 2000

*To the Shareholders and, for information only,
holders of the Warrants*

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION WHICH INVOLVES THE ISSUE OF NEW SHARES

INTRODUCTION

The Board announced on 6 March, 2000 that the Company entered into the Acquisition Agreement with the Vendors and Codebank on 4 March, 2000 for the purchase of shares in Codebank from the Vendors and the subscription of new shares in Codebank.

The Acquisition Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

THE ACQUISITION AGREEMENT

Date

4 March, 2000

Parties

- (1) the Company
- (2) Yu Hang Chung, Kam Chun Ying, Ng Wing Hong, Suen Kwok Kin and Techrich Ltd.
- (3) Codebank

Interest to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to purchase and subscribe a total of 498,169 shares in Codebank in two tranches, comprising the purchase of the Stage 1 Sale Shares, the subscription of the Stage 1 Subscription Shares, the purchase of the Stage 2 Sale Shares, and the subscription of the Stage 2 Subscription Shares. Codebank has a total of 2,500,000 shares in issue as at the Latest Practicable Date.

Stage 1

In Stage 1, the Company will first purchase from the respective Vendors the Stage 1 Sale Shares and to subscribe for the Stage 1 Subscription Shares. The Company will hold 236,126 shares in Codebank upon Stage 1 Completion, representing approximately 9% of the issued share capital of Codebank as enlarged by the issue and allotment of the Stage 1 Subscription Shares.

Stage 2

In Stage 2, the Company will further purchase from the respective Vendors the Stage 2 Sale Shares and to subscribe for the Stage 2 Subscription Shares. The Company will hold a further 262,043 shares in Codebank upon Stage 2 Completion, representing approximately 9% of the issued share capital of Codebank as enlarged by the issue and allotment of the Stage 1 Subscription Shares and Stage 2 Subscription Shares.

Assuming completion of the purchase of the Sale Shares and the subscription of the Subscription Shares and no new shares in Codebank will be issued in the interim, the Company will upon Stage 2 Completion hold 498,169 shares in Codebank representing approximately 18% of the issued share capital of Codebank as enlarged by the issue and allotment of the Subscription Shares.

The following table sets out the shareholding structure of Codebank after the Stage 1 Completion and the Stage 2 Completion (assuming the share capital of Codebank remains unchanged save for the

LETTER FROM THE BOARD

allotment of the Subscription Shares and the shareholding of the Vendors in Codebank remains unchanged save for the sale of the Sale Shares):

	Before Stage 1 Completion		After Stage 1 Completion		After Stage 2 Completion	
	Percentage	No. of shares	Percentage	No. of shares	Percentage	No. of shares
Yu Hang Chung	60%	1,500,000	54.60%	1,432,500	49.20%	1,361,663
Kam Chun Ying	5%	125,000	4.55%	119,375	4.10%	113,471
Ng Wing Hong	10%	250,000	9.10%	238,750	8.20%	226,944
Suen Kwok Kin	5%	125,000	4.55%	119,375	4.10%	113,471
Techrich Ltd. (Note)	20%	500,000	18.20%	477,500	16.4%	453,888
Company	0%	0	9.00%	236,126	18.00%	498,169
Total	<u>100%</u>	<u>2,500,000</u>	<u>100.00%</u>	<u>2,623,626</u>	<u>100.00%</u>	<u>2,767,606</u>

Note: Techrich Ltd. is 100% beneficially owned by Mr. Yu Hang Chung.

Consideration

The total consideration payable by the Company to the respective Vendors and Codebank for the Acquisition is HK\$171,000,000 which will be settled by the allotment and issue of a total of 68,400,000 Shares to be issued to the Vendors and Codebank in two tranches.

The Stage 1 Consideration of HK\$85,500,000 will be satisfied by the allotment and issue to the respective Vendors and Codebank of the Stage 1 Consideration Shares. The Stage 1 Consideration Shares represent about 3.47% of the existing issued share capital of the Company and about 3.36% of the enlarged issued share capital of the Company as enlarged by the Stage 1 Consideration Shares. The number of Stage 1 Consideration Shares was determined based on the purchase of approximately 9% interest in Codebank, and was not based on the total number of Stage 1 Sale Shares and Stage 1 Subscription Shares to be issued upon Stage 1 Completion. The Vendors will receive 17,100,000 Shares out of the Stage 1 Consideration Shares pro rata to their shareholdings in Codebank as at the date of the Acquisition Agreement. Codebank will receive the remaining 17,100,000 Shares in respect of the Stage 1 Subscription Shares.

The Stage 2 Consideration of HK\$85,500,000 will be satisfied by the allotment and issue to the respective Vendors and Codebank of the Stage 2 Consideration Shares. The Stage 2 Consideration Shares represent about 3.47% of the existing issued share capital of the Company and about 3.36% of the enlarged issued share capital of the Company as enlarged by the Stage 2 Consideration Shares. The number of Stage 2 Consideration Shares was determined based on the further purchase of approximately 9% interest in Codebank and was not based on the total number of Stage 2 Sale Shares and Stage 2 Subscription Shares to be issued upon Stage 2 Completion. The Vendors will receive 17,100,000 Shares out of the Stage 2 Consideration Shares pro rata to their shareholdings in Codebank as at the date of the Acquisition Agreement. Codebank will receive the remaining 17,100,000 Shares in respect of the Stage 2 Subscription Shares.

LETTER FROM THE BOARD

The Company is not obliged to purchase the Stage 1 Sale Shares nor subscribe for the Stage 1 Subscription Shares unless the sale and purchase of all (but not part only) of the Stage 1 Sale Shares and the subscription of all (but not part of only) of the Stage 1 Subscription Shares are completed simultaneously upon the Stage 1 Completion. Similarly, the Company is not obliged to purchase the Stage 2 Sale Shares nor subscribe for the Stage 2 Subscription Shares unless the sale and purchase of all (but not part only) of the Stage 1 Sale Shares and the subscription of all (but not part of only) of the Stage 2 Subscription Shares are completed simultaneously upon the Stage 2 Completion.

The Consideration Shares represent approximately 6.95% of the existing issued share capital of the Company, and approximately 6.50% of the enlarged share capital of the Company as enlarged by the Consideration Shares. It is intended that one director of the Company will be appointed to the board of directors of Codebank, while none of the directors of Codebank is expected to be appointed to the Board.

The Issue Price is HK\$2.50 per Share for each Consideration Share. The Issue Price represents:

- (i) a premium of approximately 11.1% over the closing price of the Shares of HK\$2.25 on 3 March, 2000, being the last trading day prior to the release of the announcement of the Company dated 6 March, 2000;
- (ii) a premium of approximately 16.12% over the 20-day average closing price of approximately HK\$2.153 up to and including 3 March, 2000;
- (iii) a premium of approximately 15.37% over the 30-day average closing price of approximately HK\$2.167 up to and including 3 March, 2000;
- (iv) a premium of approximately 95.31% over the closing price of the Shares of HK\$1.280 as at the Latest Practicable Date;
- (v) a premium of approximately 37.14% over the 20-day average closing price of approximately HK\$1.823 up to and including the Latest Practicable Date; and
- (vi) a premium of approximately 29.87% over the 30-day average closing price of approximately HK\$1.925 up to and including the Latest Practicable Date.

The Stage 1 Consideration and the Stage 2 Consideration and the other terms of the Acquisition Agreement have been arrived at after arm's length negotiations between the parties and based on the finalised valuation figure of Codebank of HK\$1,001,000,000 by Sallmanns. The total consideration of HK\$171,000,000 represents a discount of approximately 5.09% to the attributable valuation amount of HK\$180,180,000 based on the valuation.

According to the valuation report by Sallmanns as set out in Appendix I to this circular, the business of Codebank was valued using the discounted cash flow method of which value depends on the present worth of the future economic benefits to be derived from contractual agreements and projected business services. **It should be noted that such valuation figure is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions, and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. If any of such assumptions cannot be fulfilled, the valuation figure may vary.**

LETTER FROM THE BOARD

The Consideration Shares will be issued under the general mandate of the Company given by its shareholders on 3 February, 2000 and will rank pari passu with the existing Shares in all respects.

Conditions of the Acquisition Agreement

The obligations of the Company to effect the Stage 1 Completion are conditional upon:

- (1) the due diligence investigation to be carried out and the report produced therefrom confirming that the agreements reviewed by Sallmanns for the purpose of its valuation report on Codebank are valid and effective;
- (2) (if required) approval by shareholders of the Company independent of the Vendors and its associates to (i) acquisition by the Company of the Sale Shares; (ii) subscription of the Subscription Shares; (iii) allotment of the Consideration Shares to the Vendors, Codebank or their respective nominees; and (iv) all other transactions contemplated under the Acquisition Agreement;
- (3) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (4) (where required) the Bermuda Monetary Authority granting its permission to the issue and allotment of the Consideration Shares;
- (5) Codebank obtaining a written consent from the Hong Kong Monetary Authority to the use of the word "bank" in the name of Codebank;
- (6) Codebank having completed its acquisition of 50% equity interest in Advance Development Codebank Limited; and
- (7) the obtaining from the Stock Exchange of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the terms of this Agreement which may be required under the Listing Rules.

The Company may waive all or any of the above conditions (other than 2, 3, 4 and 7) at any time before the Stage 1 Completion by notice in writing to the Vendors and Codebank. If any of the above conditions are not fulfilled (or waived by the Company) within 21 days from the date of the Acquisition Agreement (or 45 days from the date of the Acquisition Agreement if condition 2 above cannot be fulfilled within the first 21 days period) subject to the liability of any party to the other in respect of any prior breaches of the terms therein, the Acquisition Agreement shall be null and void and of no effect. As at the Latest Practicable Date, only condition (5) above has been fulfilled and condition (2) above is not required as new shares will be issued under the general mandate granted by the shareholders of the Company on 3 February, 2000.

Stage 2 Completion shall take place on the earlier of (i) the date on which approval in principle shall be granted by the Stock Exchange to Codebank to the listing of the shares of Codebank (or those of its parent company) on the Stock Exchange or (ii) the date which is 3 months from the date of the Stage 1 Completion (or such other dates as the Company and the Vendors may agree in writing).

LETTER FROM THE BOARD

Application has been made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Non-disposal undertakings

The Vendors and Codebank have each undertaken to the Company that, without the prior written consent of the Company, neither of them shall within a period of three months from the respective dates of the Stage 1 Completion and the Stage 2 Completion, sell more than 50% of the Stage 1 Consideration Shares or the Stage 2 Consideration Shares or any interests thereon respectively.

Commission

Under the Agency Agreement, the Company is required to pay the Agent the sum of HK\$7,500,000 to be satisfied by the issue and allotment of 3,000,000 Agent Shares at an issue price of HK\$2.50 per Share to the Agent upon completion of the Acquisition Agreement as an introduction fee.

The Agent is an independent third party (not connected with the Company, any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them). The issue price of HK\$2.50 per share represented a discount of approximately 0.99% to the closing price of the Shares of HK\$2.525 on 3 February, 2000, being the date of the Agency Agreement. The Agent Shares represent approximately 0.30% of the existing issued share capital based on 984,338,330 Shares in issue as at the Latest Practicable Date and approximately 0.28% of the issued share capital of the Company as enlarged by the Consideration Shares other than the Agent Shares, and approximately 0.28% of the issued shares capital of the Company as enlarged by the Consideration Shares and the Agent Shares.

Under the Agency Agreement, the Agent Shares shall be issued upon completion of the Acquisition. The Directors take the view that the Company's obligation to issue the Agent Shares will be due for performance only upon the Stage 2 Completion when the entire Acquisition shall be completed. The Company has clarified with the Agent that no Agent Shares will be issued upon Stage 1 Completion alone, and that the Agent Shares will only be issued upon Stage 2 Completion.

The Agent Shares will be issued under the general mandate of the Company given by its shareholders on 3 February, 2000. The Agent Shares will rank *pari passu* with the existing Shares in all respects.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Agent Shares.

LETTER FROM THE BOARD

Dilution effect

The table below shows the dilution effect on the approximate shareholdings of the Company upon the Stage 1 Completion and the Stage 2 Completion.

	Before Stage 1 Completion		After Stage 1 Completion		After Stage 2 Completion		After issue of Agent Shares	
	Percentage	No. of shares	Percentage	No. of shares	Percentage	No. of shares	Percentage	No. of shares
Yu Hang Chung	0.00%	-	1.01%	10,260,000	1.95%	20,519,884	1.94%	20,519,884
Kam Chun Ying	0.00%	-	0.08%	855,000	0.16%	1,710,123	0.16%	1,710,123
Ng Wing Hong	0.00%	-	0.17%	1,710,000	0.32%	3,419,956	0.32%	3,419,956
Suen Kwok Kin	0.00%	-	0.08%	855,000	0.16%	1,710,123	0.16%	1,710,123
Techrich Ltd. (Note 1)	0.00%	-	0.34%	3,420,000	0.65%	6,839,914	0.65%	6,839,914
Codebank	0.00%	-	1.68%	17,100,000	3.25%	34,200,000	3.24%	34,200,000
The Agent	0.00%	-	0.00%	-	0.00%	-	0.28%	3,000,000
Lai Yiu Keung and Chung Lai Ha (Note 2)	34.34%	338,000,000	33.19%	338,000,000	32.11%	338,000,000	32.02%	338,000,000
Tsui Tack Kong	4.41%	43,397,500	4.26%	43,397,500	4.12%	43,397,500	4.11%	43,397,500
Cheung Kin Keung	27.68%	272,500,000	26.75%	272,500,000	25.89%	272,500,000	25.82%	272,500,000
Public	33.57%	330,440,830	32.44%	330,440,830	31.39%	330,440,830	31.30%	330,440,830
Total	100.00%	984,338,330	100.00%	1,018,538,330	100.00%	1,052,738,330	100.00%	1,055,738,330

Note:

1. Techrich Ltd. is 100% beneficially owned by Mr. Yu Hang Chung
2. Ms. Chung Lai Ha is the spouse of Mr. Lai Yiu Keung and is deemed to be interested in those Shares in which Mr. Lai Yiu Keung has an interest.

INFORMATION ON CODEBANK

Codebank was incorporated as a limited liability company in Hong Kong on 23 July, 1999, and is an independent third party not connected with the Company, any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them.

Codebank is a leading internet technology provider and application service provider in Hong Kong and China. Codebank is principally engaged in internet software development and offers turnkey solutions to enterprises, educational institutions and governments with application softwares, vertical portal solutions and professional services. The major businesses of Codebank include the development and investment of vertical portals, Intranets, e-Commerce and e-Education applications.

Codebank derives its revenue from the provision of internet software development and solution services in areas including e-Commerce applications, e-Education applications, vertical portal solutions and other related auxiliary professional services. The Directors envisage that Codebank will continue to expand its development in the provision of the internet technology services in e-Commerce and e-Education businesses and other vertical portal business development. It is also intended that Codebank (or its parent company) may seek the listing of its shares on the Growth Enterprise Market of the Stock Exchange as and when appropriate. However, the proposed listing may or may not proceed. It is currently not considered that any additional working capital will be required from the Company for the operation of Codebank in the near future.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the authorised share capital of Codebank is HK\$10,500,000 divided into 100,000,000 Class A shares of HK\$0.10 par value each and 5,000,000 Class B shares of par value HK\$0.10 each, of which 2,500,000 Class A shares are issued and none of the Class B Shares have been issued. The Class B shares do not carry any voting rights but are entitled to dividends. Based on the unaudited combined accounts of Codebank and its subsidiary, Codebank IMA Limited (incorporated on 25 April 1997), the net loss attributable to shareholders amounted to HK\$69,060 for the fifteen months ended 31 December, 1999.

REASONS FOR THE ACQUISITION AGREEMENT

The Group is principally engaged in property development and property investment. The Group is also engaged in the provision of property management, property agency and construction services in Hong Kong.

On 17 December, 1999, the Company entered into a conditional sale and purchase agreement with G. Yean Group Company Limited for the acquisition of about 25.88% of the issued share capital in Hycomm. Completion of such acquisition took place on 1 March, 2000. Hycomm's business includes the design, development and installation of software systems relating to wireless data and wireless IP network. The Company's business has been diversified into the wireless data communication business through its interest in Hycomm.

The Directors believe that the internet technology business has tremendous commercial potential in the future. It is considered that the strategic alliance with Codebank will provide a platform for the Group to make foray into the high growth internet technology business. With the rapid convergence of the internet technology business and wireless data communication business, the Directors are of the view that the proposed investment in Codebank will provide synergy with the business of Hycomm. In addition, the Directors consider that the acquisition of interests in Codebank will enhance the asset base and earnings base of the Group. As no additional working capital will be required from the Company for the operation of Codebank in the near future, it is not expected that the acquisition of the Sale Shares and the Subscription Shares will have any material adverse impact on the Group's liabilities.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Plotio Holdings Limited
Lai Yiu Keung
Chairman

The following is the text of a letter received from Sallmanns, prepared for the purpose of inclusion in this circular.



CHARTERED SURVEYORS, PROPERTY CONSULTANTS
LAND, BUILDING, PLANT & MACHINERY VALUERS
FINANCIAL AND INTANGIBLE ASSET VALUERS

15/F Trinity House
165-171 Wanchai Road
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Tel: (852) 2169 6000
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24 March, 2000

The Directors
Plotio Holdings Limited
2nd Floor, Hillier Building
273-277 Queen's Road Central
and 33 Hillier Street
Central, Hong Kong

Dear Sirs,

In accordance with your instructions we have undertaken a valuation to determine an independent opinion of the market value of a 100% equity interest in Codebank Limited ("Codebank") and its subsidiaries, affiliates and Advanced Development Codebank Limited ("ADC") (together the "Group") as at 29 February, 2000.

The purpose of the valuation is to express an independent opinion of the market value of a 100% equity interest in the Group as at 29 February, 2000, as an internal reference. This letter summarises the principle conclusions of our detailed valuation report dated 24 March 2000.

Our valuation has been carried out on a market value basis. Market value is *the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

Codebank is a holding company and through its subsidiaries operates as an education applications provider. The principal business includes design, development and sale of intranet systems, operating platforms and software products with a focus on education. The products are targeted at various educational institutions. The Group also provides website design and development services for these educational institutions. Campus Online Limited, a subsidiary company of Codebank, has developed an Internet education portal named Openday.org. Openday.org is an open platform for various educational institutions and education content providers. The platform offers a free webpage hosting service and website building tools. It is projected that the number of visitors to Openday.org will reach 16 million in 2004.

ADC will become a subsidiary company of Codebank. It undertakes website construction, online applications development and systems integration services. ADC currently holds contracts for City Portal construction for the city government of Shunde in PR China. The customers of ADC also include the

Postal and Telecommunication Bureau of PR China. As per the Conditions of the Acquisition Agreement, Codebank will complete its acquisition of a 50% equity interest in ADC.

Corpmart.Com Limited ("Corpmart"), an affiliated company in which Codebank holds an approximate 20% interest, operates as an applications service provider (ASP). The company operates a web site named Corpmart.com, and provides online office application services to small and medium sized enterprises in Hong Kong and PR China. The web site provides proprietary and enterprise-wide information to corporate employees and access to selected public web sites and vertical-market web sites. Applications provided include address book, calendar, file manager and corporate e-mail systems.

We confirm that we have reviewed financial information, project documents and other pertinent data relating to the Group and its operations. We believe such information to be reliable and legitimate. We have also made relevant inquiries and obtained further information as considered necessary for the purposes of this valuation.

The valuation of an interest in the Group requires consideration of all pertinent factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in this valuation included, but were not limited to, the following:

- the nature of the business and the history of the operation from its inception;
- the financial condition of the business;
- the economic outlook in general and the specific economic environment for the business;
- past and projected operating results;
- the operational contracts and agreements in relation to the business;
- the potential of the business, technological and industrial outlook;
- comparative advantages and disadvantages of the business and industry;
- market-derived investment returns of entities engaged in similar lines of business; and
- the financial and business risk of the enterprise including the continuity of income and the projected future results.

In assessing the market value of the Group, we have adopted the income approach technique known as the discounted cash flow method. Under the discounted cash flow method, value depends on the present worth of the future economic benefits to be derived from contractual agreements and projected business services. Indications of value have been developed by discounting projected net future cash flow available for payment of shareholders' interest to their present worth at market derived rates of return which in our opinion are appropriate for the risks of the business.

The indicated value of the Group is the summation of the individual values of each member company of the Group. For each member company, we have only considered the collection of operating income and related expenses such as direct costs, management costs and tax. We have not made provision for non-operating cash flow items such as interest income, exchange rate gain/loss, etc. in the valuation model.

In determining the value of the Group, we have made the following key assumptions:

- We have estimated the future cash flow for five years, we therefore assumed that the projected business and gross margin could be achieved with the effort of the Group's management.

- In order to realise the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we assume that all facilities and systems are expected to be working properly and sufficient for future expansion.
- We have assumed that the business contracts and agreements signed by the Group with other parties will be effective during our projection period.
- We have assumed that there will be no material changes in the existing political, legal, technological, fiscal or economic condition which may adversely affect the business of the Group.
- Operational and contractual terms bounded by the contracts and agreements are honoured.
- Its competitive advantages and disadvantages do not change significantly during the projection period.
- We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion of value.
- We have included the value of ADC as part of the consolidated business value of the Group. This is based on the Conditions of the Acquisition Agreement wherein Codebank is obligated to complete its acquisition of a 50% equity interest in ADC.

In determining the discount rate for the operations adopted in the valuation of each individual group company, we have taken into account a number of factors including the current market information and the underlying risk inherent in the business, such as uncertainty risk, liquidity risk, exchange rate risk, etc.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group and Sallmanns.

Based on the investigation and analysis outlined in this report, it is our opinion that as at 29 February, 2000, the market value of a 100% equity interest in the Group is reasonably stated by the amount of HK\$1,001 million (HONG KONG DOLLARS ONE THOUSAND AND ONE MILLION ONLY).

Yours faithfully,
For and on behalf of
SALLMANNS (FAR EAST) LIMITED
Brett A. Shadbolt
ASA AHKIV MIPMV SCV
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statements misleading.

2. DIRECTOR'S INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the securities of the Company or any associated corporation (within the meaning of the SDI Ordinance) which had been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required pursuant to section 29 of the SDI Ordinance, to be entered in the register referred therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The Company

(a) Interests in Shares

Name of Directors	Type of interest	Number of Shares	Number of Warrants
Mr. Lai Yiu Keung	Family	308,000,000 (Notes 1 and 2)	61,200,000 (Note 1)
	Corporate	30,000,000 (Note 3)	6,000,000 (Note 3)
Ms. Chung Lai Ha	Personal	2,000,000	
	Family	336,000,000 (Notes 1 and 4)	67,200,000 (Notes 1 and 4)
Mr. Tsui Tack Kong	Personal	43,397,500	8,679,500
Mr. Cheung Kin Keung	Corporate	272,500,000 (Note 5)	–

(b) Interests in Options

Name of Directors	Type of interest	Number of Shares
Mr. Lai Yiu Keung	Personal	24,000,000
Mr. Lai Chi Kin	Personal	3,000,000
Mr. Tsui Tack Kong	Personal	4,000,000
Mr. Lam Hon Keung, Keith	Personal	2,000,000
Mr. Cheung Kin Keung	Personal	20,000,000
Mr. Tang Xueyi	Personal	10,000,000

Notes:

- These shares and warrants are beneficially held by Justwell Limited through its wholly owned subsidiary, United Man's Limited. The entire issued share capital of Justwell Limited is held by a trustee for the benefit of a discretionary trust the beneficiaries of which include certain other family members of Mr. Lai Yiu Keung and Ms. Chung Lai Ha.
- Mr. Lai Yiu Keung is the spouse of Ms. Chung Lai Ha and is deemed to be interested in those shares of the Company in which Ms. Chung Lai Ha has an interest.
- These shares and warrants are registered in the name of Justgood Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Lai Yiu Keung.
- Ms. Chung Lai Ha is the spouse of Mr. Lai Yiu Keung and is deemed to be interested in those shares and warrants of the Company in which Mr. Lai Yiu Keung has an interest.
- These shares are held by G. Yean Group Incorporated and Key Master Group Limited in which Mr. Cheung Kin Keung and his spouse is deemed to have an interest.

Subsidiaries or associated companies

Name of Director	Name of associated companies	Type of interest	Type and number of securities
Mr. Lai Yiu Keung	Bestful Development Limited	Personal	8,000 non-voting 5 per cent. deferred shares
	Newborn Development Limited	Personal	10,000 non-voting 5 per cent. deferred shares
	Nicecity Holdings Limited	Personal	8,000 non-voting 5 per cent. deferred shares
	Total Busy Development Limited	Personal	40,500 non-voting 5 per cent. deferred shares
	Oriental Gain Properties Limited	Personal	3,710 non-voting 5 per cent. deferred shares
	Plotio Investment (HK) Limited	Personal	9,500 non-voting 5 per cent. deferred shares
	Plotio Development (HK) Limited	Personal	9,500 non-voting 5 per cent. deferred shares
	Billtech Limited	Personal	2,000 non-voting 5 per cent. deferred shares
	Great Centre Limited	Personal	20,000 non-voting 5 per cent. deferred shares
Ms. Chung Lai Ha	Plotio Investment (HK) Limited	Personal	500 non-voting deferred shares
	Plotio Development (HK) Limited	Personal	500 non-voting deferred shares

Name of Director	Name of associated companies	Type of interest	Type and number of securities
Mr. Tsui Tack Kong	Bestful Development Limited	Personal	2,000 non-voting 5 per cent. deferred shares
	Nicecity Holdings Limited	Personal	2,000 non-voting 5 per cent. deferred shares
	Total Busy Development Limited	Personal	4,500 non-voting 5 per cent. deferred shares
	Oriental Gain Properties Limited	Personal	530 non-voting 5 per cent. deferred shares
	Great Centre Limited	Personal	5,000 non-voting 5 per cent. deferred shares

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interest which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following interest of 10 per cent. or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of Shares	Approximate percentage
Justwell Limited	306,000,000 (Note 1)	31.09
United Man's Limited	306,000,000 (Note 1)	31.09
Kentmark Limited	192,500,000 (Note 2)	19.56
G. Yean Group Incorporated	192,500,000 (Note 2)	19.56

Notes:

1. These Shares are registered under the name of United Man's Limited ("UML"), the entire issued share capital of UML is owned by Justwell Limited, the entire issued share capital of which is held by a trustee for the benefit of a discretionary trust the beneficiaries of which include certain family members of Mr. Lai Yiu Keung and Ms. Chung Lai Ha.
2. These Shares are held by G. Yean Group Incorporated in which Kentmark Limited, a company owned by Mr. Cheung Kin Keung and his spouse, is deemed to have an interest.

Save as disclosed herein, no person has notified the Company that he has interests amounting to 10 per cent. or more of the issued share capital of the Company at the date of this circular pursuant to Section 16(1) of the SDI Ordinance.

4. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following completion will be as follows:

<i>Authorised:</i>	\$
3,000,000,000 Shares	300,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>	
984,338,330 Shares in issue as at the Latest Practicable Date	98,433,833.00
34,200,000 Stage 1 Consideration Shares	3,420,000.00
34,200,000 Stage 2 Consideration Shares	3,420,000.00
3,000,000 Agent Shares	300,000.00
<u>1,055,738,330 Shares in issue upon Stage 2 Completion</u>	<u>105,573,833.00</u>

5. CONSENT

Sallmanns has given and has not withdrawn its written consent to the issue of this circular with inclusion of its report and references to its name in the form and context in which they appear.

Sallmanns is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and does not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. QUALIFICATION

The following are the qualification of the expert who has given opinion or advice in this circular:

Name	Qualification
Sallmanns	chartered surveyors, valuers

7. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March, 1999 (being the date to which the last published audited financial statements of the Group were made up.)

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. SERVICE CONTRACTS

Mr. Lai Yiu Keung has entered into a service contract with the Company which is for a term of three years commencing on 1 October, 1997.

Each of Ms. Chung Lai Ha, Mr. Lai Chi Kin and Mr. Kwok Chong, Anthony has entered into a service contract with the Company, each for a term of two years commencing on 1 October, 1999.

Save as disclosed above, no Director has any existing or proposed directors' service contracts with any member of the Group, other than contracts terminable on not more than one year's notice with compensation payable.

10. MISCELLANEOUS

- a. the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda.
- b. the head office and principal place of business of the Company in Hong Kong is at 2nd Floor, Hillier Building, 273-277 Queen's Road Central and 33 Hillier Street, Central, Hong Kong.
- c. the company secretary of the Company is Mr. Choy Mun Kei, who is a member of The Hong Kong Society of Accountants.
- d. the branch share registrars of the Company in Hong Kong is Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.