



Computech Holdings Limited

駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8081

ANNUAL REPORT
2008

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report. This report, for which the directors (the "Directors") of Computech Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the commission of which would make any statement in this report misleading; and (3) all opinions expressed in this report 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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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Fung Pak Chuen, Alphonso (*Chairman*)
Mak Kwong Yiu, Mark

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Sai Yeung (resigned on 26th March, 2009)
Chung Kong Fei, Stephen
Ng Chik Sum, Jackson
Pang Wing Kin, Patrick (appointed on 26th March, 2009)

COMPLIANCE OFFICER

Fung Pak Chuen, Alphonso

AUTHORISED REPRESENTATIVES

Fung Pak Chuen, Alphonso
Chan Wai Kuen, Karen

COMPANY SECRETARY

Chan Wai Kuen, Karen *CPA, FCCA*

QUALIFIED ACCOUNTANT

Chan Wai Kuen, Karen *CPA, FCCA*

AUDIT COMMITTEE

Ng Chik Sum, Jackson (*Committee Chairman*)
Chung Kong Fei, Stephen
Lee Sai Yeung (resigned on 26th March, 2009)
Pang Wing Kin, Patrick (appointed on 26th March, 2009)

AUDITORS

PKF
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10/F Westlands Centre
20 Westlands Road, Quarry Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Tokyo-Mitsubishi UFJ, Limited
China Construction Bank (Asia) Corporation Limited

STOCK CODE

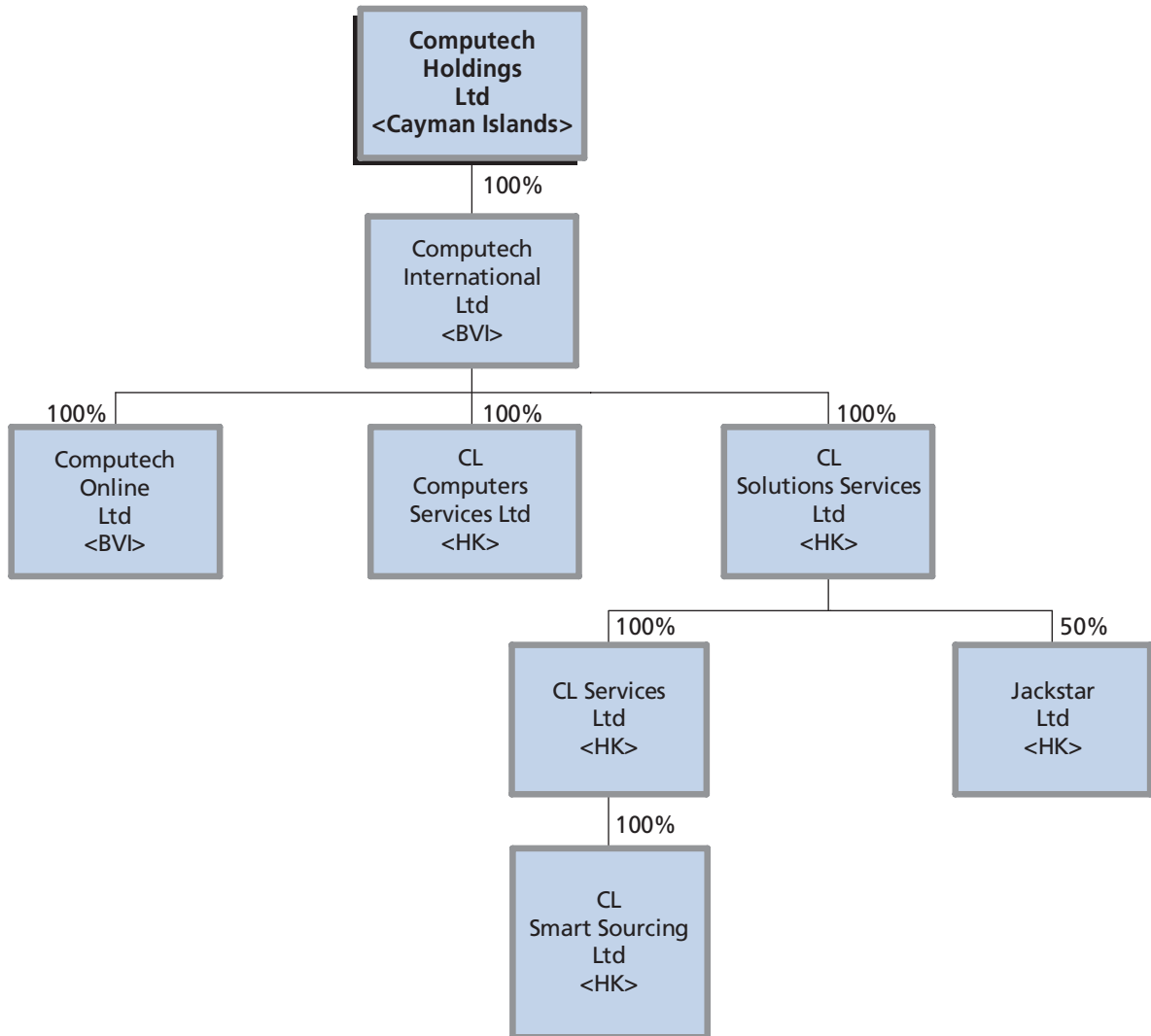
8081

WEBSITE ADDRESS

www.computech.com.hk

STRUCTURE OF THE GROUP

At as 31st December, 2008



CHAIRMAN'S STATEMENT

I am pleased to present the results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2008.

The Group's IT services operation recorded marginal growth in both revenue and net profit compared with the previous financial year. Under the current unstable economic climate, cost cutting and reduced capital investment by corporations in the commercial sector have slowed down the Group's planned expansion in 2008.

The Group disposed of its supply chain solutions operation in 2008 to focus on its core business, IT services. As a result, the Group recorded a decrease in total revenue as compared with 2007.

During the year, the Group has undertaken a number of corporate exercises. The related professional fees have led to a substantial increase in administrative expenses incurred by the Group. Included in current year's administrative expenses were also certain non-cash expenses for the issuance of employee share options and warrants.

OPERATING RESULTS

For the year under review, the Group recorded an overall turnover of approximately HK\$49 million, representing a decrease of approximately 18% compared with last year. The audited net loss attributable to shareholders amounted to approximately HK\$0.97 million, compared with a net profit of approximately HK\$1.67 million in 2007. The loss per share for the year ended 31st December, 2008 was HK\$0.93 cents.

MARKET OVERVIEW

The Group's multi-vendor repair and maintenance business was not immediately affected by the economic downturn which started at the beginning of 2008. However, systems roll-out projects slowed down substantially due to fewer new major implementation engagements as cost cutting took place in commercial institutions. Our call center's business remained stable. We are expecting some growth in this area as the technical and linguistic skills of our staff improve. Manpower outsourcing business experienced decreased gross margin in 2008. We expect this trend to continue in 2009 as demand for technical personnel weakens.

OPERATING OVERVIEW

We continued to work closely with our major business partners such as HP, Symantec and PCCW on all fronts of our IT services operation including on-site and carry-in PC warranty and maintenance services, hot-line and technical support services, and placement of technical personnel.

APPOINTMENT OF CONSULTANT

In 2008, the Group appointed Mr. CHUI Bing Sun, a successful entrepreneur and investment consultant with good track record, to help it identify new business opportunities and raise capital if and when necessary. The board will report the progress to our shareholders when worthwhile business opportunity is identified.

CHAIRMAN'S STATEMENT

PROSPECTS AND APPRECIATION

Under the current uncertain economic conditions, the Group's priority is to remain focused on its IT services business and to exercise strict control on spending. However, it is not uncommon that good business opportunities will present themselves in adverse market conditions. The Group will continue to look out for possible diversification potentials.

Finally, I would like to take this opportunity to express my appreciation to our employees, shareholders, board members, customers, and business partners for their support and contribution to the Group in 2008.

Fung Pak Chuen, Alphonso

Chairman

Hong Kong, 26th March, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover of the IT services business unit increased by approximately 6.6% for the year 2008, which was due to an increase in maintenance services income. The gross profits margin also increased as compared with year of 2007. As a result, the segment result of IT services recorded a slight profit growth in 2008 compared with the previous year.

The Group disposed of its supply chain solutions operation in 2008. Consequently, total turnover of the Group decreased substantially as compared with 2007.

FINANCIAL REVIEW

For the year under review, the IT services business unit of the Group recorded a turnover of approximately HK\$38,758,000, representing an increase of approximately 6.6% compared with last year. The audited net loss attributable to shareholders amounted to approximately HK\$976,000. Loss per share for the year ended 31st December, 2008 was HK\$0.93 cents.

The turnover of the IT services business unit increased by approximately 6.6% compared with 2007 due to the increase in maintenance services income. The amount of gross profit was approximately HK\$8,561,000, which represents an increase of approximately 18.5% compared with last year. The segment result of IT services recorded a net profit of approximately HK\$218,000.

During the year 2008, administrative expenses was approximately HK\$10,920,000. As a result, the Group recorded a net loss attributable to shareholders of HK\$976,000 in 2008.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2008, the total assets of the Group were approximately HK\$13,409,000 (2007: HK\$18,305,000), including cash and bank deposits of approximately HK\$3,063,000 (2007: HK\$3,124,000) and debtors, deposits and prepayments of approximately HK\$2,010,000 (2007: HK\$8,221,000).

The Group's current assets are approximately 2.8 times (2007: 2.5 time) over its current liabilities whereas the gearing ratio, representing non-current liabilities over total assets, was nil (2007: 0.12). The Group's non-current liabilities, being non-current loans from directors, were nil (2007: HK\$2,256,000). Saved as disclosed herein, the Group did not have any other long-term borrowings during the year under review.

CAPITAL STRUCTURE

There was no other change on the Group's capital structure for the year ended 31st December, 2008.

FOREIGN EXCHANGE

The Group's foreign exchange risk is primarily attributable to its creditors. The Group's purchases were principally denominated in Hong Kong Dollars and Renminbi, with the majority of which denominated in Hong Kong Dollars. As the foreign exchange risk was insignificant to the Group, the Group has not applied any financial instruments for foreign currency hedging purposes during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the year under review, the Company disposed of a number of subsidiaries which was engaged in the development and sales of supply chain solutions.

Save as disclosed above, there was no material acquisitions and disposals of subsidiaries and affiliated companies of the Group during the year ended 31st December, 2008.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2008, there was no charge on the Group's assets (2007: Nil).

CAPITAL COMMITMENTS

As at 31st December, 2008, the Group has not undertaken any material capital investments (2007: Nil).

CONTINGENT LIABILITIES

As at 31st December, 2008, the Group did not have any material contingent liabilities (2007: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2008, the Group had 126 employees (2007: 132). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

FUNG Pak Chuen, Alphonso, aged 58, is the Chairman of the Company. He was appointed as Non-Executive Director of the Company in March 2000 and re-designated as Executive Director on 13th February, 2004. Mr. Fung is responsible for the overall strategic planning and development of the Group. He has substantial experience in business planning and development in information technology industry. Prior to co-founding the CL Group, a group of IT companies operating in the PRC, Hong Kong and South-East Asia, in 1979, he worked at IBM in Hong Kong and International Computer Limited in the United Kingdom. Mr. Fung graduated from the University of London with a Master degree in Computer Science.

MAK Kwong Yiu, aged 34, was appointed as an Executive Director of the Company on 30th July, 2008. Mr. Mak holds Bachelor and Master degrees in Business Administration from the Hong Kong University of Science and Technology. He earned the Chartered Financial Analyst designation in 2000. He is a Certified Public Accountant in the United States and Hong Kong respectively. Mr. Mak currently holds directorships in several companies which are engaged in business of financial services, asset management and asset valuation in Hong Kong. Mr. Mak is also an independent non-executive director of AcrossAsia Limited, a company whose shares are listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited.

Independent non-executive Directors

LEE Sai Yeung, aged 57, was appointed as an independent non-executive Director of the Company in June 2000 and resigned in March 2009. He was previously the executive director of several companies listed on the Stock Exchange of Hong Kong Limited during the 1990s. He has extensive experience in the securities business, corporate finance and investment banking. Mr. Lee had been registered as a dealing director, investment adviser and held position as senior executive in several major regional and European securities firms in Hong Kong for many years. Mr. Lee obtained both a Master and a Bachelor degree (with honours) in Business Administration from the University of Texas at Austin.

CHUNG Kong Fei, Stephen, aged 52, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Chung has over 20 years of experience in investment and business management. He is one of the founders and executive directors of SDM Dental Inc., an investment holding company which operates 6 dental clinics in the PRC, currently the clinic chain is one of the largest of its kind in the PRC. Mr. Chung was previously an executive director of Qualipak International Holdings Limited, a manufacturer of packaging materials, whose shares are listed on the Stock Exchange of Hong Kong Limited. From 1987 to 1996, he was the deputy managing director of Lam Soon (HK) Limited. From 1983 to 1987, Mr. Chung was the Head of China Division for Manufacturers Hanover Trust Company. Mr. Chung is currently an independent non-executive director of Unity Investments Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited. Mr. Chung holds a Bachelor of Science degree from the Wharton School of Business, University of Pennsylvania, U.S.A.

NG Chik Sum, Jackson, aged 48, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Ng has extensive experience in accounting and financial management. He is currently the Chief Financial Officer of Modern Terminals Limited. Mr. Ng previously worked with Coopers and Lybrand and he also served as Group Financial Controller with Lam Soon Group, Finance Director of East Asia of Allergan Inc., a U.S. pharmaceutical company. Mr. Ng is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master of Science degree in Finance and a Master Degree in Business Administration.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. PANG Wing Kin, Patrick, aged 52, was appointed as an independent non-executive Director of the Company in March 2009. He is a qualified accountant and has over 25 years of working experience in the auditing, finance and general management areas. Mr. Pang is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Internal Auditors of the United Kingdom.

Senior management

TAN Kong Chi, Joseph, aged 46, is the general manager of CL Services Limited, the wholly owned subsidiaries of the Company. He joined the Group in October 2004. Mr. Tan is responsible for the overall management of the Group's IT services. He has more than 15 years of experience in IT services management. Prior to joining the Group, Mr. Tan served as the General Manager of CL Technical Services Limited, Customer Service Engineering Department Manager of Asian Electronics Limited and Customer Service Manager of Philips Communication & Processing Limited. He holds a Bachelor degree in Business Studies from City University of Hong Kong and a Master degree in Business Administration from the University of Southern Queensland, Australia.

CHAN Wai Kuen, Karen, aged 43, is the financial controller, company secretary and qualified accountant of the Group. She joined the Group in May 2008. Ms. Chan is responsible for financial management, accounting and company secretarial affairs of the Group. Ms. Chan has extensive experience in accounting and financial management. She holds a Bachelor degree in Accounting from the University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group is principally engaged in provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products, in the People's Republic of China and Hong Kong.

RESULTS AND DIVIDEND

The results of the Group for the year are set out in the consolidated income statement on page 26.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 25 to the consolidated financial statements.

The directors do not recommend the payment of a dividend in respect of the year.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the five years ended 31st December, 2008 and the assets and liabilities of the Group as at 31st December, 2004, 2005, 2006, 2007 and 2008 are set out on page 67.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital are set out in note 20 to the consolidated financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 28(a) to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 29 and note 21 to the consolidated financial statements respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to payoff its debts as they fall due in the ordinary course of business.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:–

Executive directors:–

Fung Pak Chuen, Alphonso (*Chairman*)

Lo, Richard

Mak Kwong Yiu, Mark

(resigned on 28th August, 2008)

(appointed on 30th July, 2008)

Independent non-executive directors:–

Lee Sai Yeung

Chung Kong Fei, Stephen

Ng Chik Sum, Jackson

Pang Wing Kin, Patrick

(resigned on 26th March, 2009)

(appointed on 26th March, 2009)

The Directors' biographical information is set out on pages 9 to 10 under the heading "Directors and Senior Management Profiles".

In accordance with Article 87 (1) and (2) of the Company's Articles of Association, Mr. Chung Kong Fei, Stephen shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Pursuant to the articles of association of the Company, Mr. Mak Kwong Yiu and Mr. Pang Wing Kin, Patrick, being appointed by the Board as an executive director and an independent non-executive director in July 2008 and March 2009 respectively, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Fung Pak Chuen, Alphonso, the Chairman and executive director, has entered into a service contract with the Company for an initial term of three years commencing from 1st September, 2004 and will continue thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party.

Save as disclosed above, the other directors of the Company have not entered into any service contract with the Company and are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

DIRECTORS' REPORT

Save as disclosed herein, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation. The Company considered all independent non-executive directors are independent.

The Company received the independent non-executive directors' confirmations of their independence pursuant to Rule 5.09 of the Rules Governing the listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the connected transactions as disclosed below, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The Group entered into the following significant connected transactions during the year ended 31st December, 2008:–

On 15th November, 2005, the Company renewed the agreement with CL International Holdings Limited ("CLIH") for a term of three years commencing from 1st January, 2006, pursuant to which the Group would purchase computer parts and components, peripherals and equipment from CLIH and its subsidiaries (together "CLIH Group") and provide IT related services to CLIH Group ("Agreement"). CLIH is a substantial shareholder of the Company and CLIH is therefore a connected person of the Company according to the GEM Listing Rules.

The executive director, Mr. Fung Pak Chuen, Alphonso and former executive director, Mr. Lo, Richard were interested in the above transactions by virtue of their interests in CLIH. Details of the interests were disclosed in the section headed "Directors' interests in securities" below.

Related party transactions as disclosed in note 23 to the consolidated financial statements also constituted connected transactions under the GEM Listing Rules, required to be disclosed in accordance with Chapter 20.

The independent non-executive directors have reviewed the continuing connected transactions and are of the opinion that these transactions were (i) effected on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; (ii) in the ordinary course of the business of the Group; and (iii) in accordance with the Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 20.38 of the GEM Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on the selected samples based on the agreed-upon procedures to the Board of Directors.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2008, the interests and short positions of the Directors in the securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company

Name of director	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Mr. Fung Pak Chuen, Alphonso ("Mr. Fung") (Note 1)	Interests of a controlled corporation	44,024,802	42.01%

Notes:—

- Win Plus Group Limited holds 84% interest in the issued share capital of Aplus Worldwide Limited and is accordingly taken to have an interest in the 19,837,600 shares of the Company in which Aplus Worldwide Limited is interested under the SFO. Win Plus Group Limited also holds approximately 53% directly and indirectly in the issued share capital of CL International Holdings Limited and is accordingly taken to have an interest in the 24,187,202 shares of the Company in which CL International Holdings Limited is interested under the SFO. Win Plus Group Limited is accordingly taken to have an interest in the 44,024,802 shares of the Company in total under the SFO.

Mr. Fung is director of Aplus Worldwide Limited, CL International Holdings Limited and Win Plus Group Limited.

As 50% of the issued share capital of Win Plus Group Limited is held by AFS Holdings Limited, AFS Holdings Limited is taken to have an interest in the 44,024,802 shares of the Company under the SFO. AFS Holdings Limited is wholly-owned by Mr. Fung.

DIRECTORS' REPORT

Long positions in the underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 2nd June, 2000, one Director in the capacity as beneficial owners was granted share options to subscribe for shares of the Company, details of which as at 31st December, 2008 were as follows:

Name of Director	Date of grant	Number of share options	Exercise price HK\$	Exercise period	Number of share options outstanding as at 31st December 2008
Mak Kwong Yiu, Mark	5th September, 2008	500,000	0.56	5th September, 2008 - 4th September, 2011	500,000

Save as disclosed above, as at 31st December, 2008, none of the Directors of the Company has any interests and short positions in the shares, equity derivatives, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company. Further details of the Scheme are set out in note 28 (a) to the consolidated financial statements.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2008, so far as was known to any director of the Company, persons who have an interest or a short position in the shares, equity derivatives, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company pursuant to section 336 of the SFO were as follows:—

Long positions in shares of the Company

Name of shareholder	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Aplus Worldwide Limited	Beneficial owner	19,837,600	18.93%
CL International Holdings Limited	Beneficial owner	24,187,202	23.08%
Adwin Investments Limited (Note 1)	Interest of a controlled corporation	24,187,202	23.08%
Win Plus Group Limited (Note 2)	Interest of a controlled corporation	44,024,802	42.01%
AFS Holdings Limited (Note 3)	Interest of a controlled corporation	44,024,802	42.01%
Ardian Holdings Limited (Note 3)	Interest of a controlled corporation	44,024,802	42.01%
Mr. Fung Pak Chuen, Alphonso (Note 4)	Interest of a controlled corporation	44,024,802	42.01%
Mr. Lo, Richard (Note 5)	Interest of a controlled corporation	44,024,802	42.01%
Mrs. Fung, Pui Lan, Angela (Note 6)	Interest of spouse	44,024,802	42.01%

DIRECTORS' REPORT

Name of shareholder	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Mrs. Lo, Lilian (Note 7)	Interest of spouse	44,024,802	42.01%
Merryway Limited (Note 8)	Beneficial owner	10,400,000	9.92%
Mr. Lam Tsan Fai, Fergus (Note 8)	Interest of a controlled corporation	10,400,000	9.92%
Asia Financing Limited (Note 9)	Beneficial owner	10,400,000	9.92%
Mr. Cheung Siu Wing (Note 9)	Interest of a controlled corporation	10,400,000	9.92%

Notes:

- Adwin Investments Limited holds approximately 67.86% interest in the issued share capital of CL International Holdings Limited and is accordingly taken to have an interest in the 24,187,202 shares of the Company in which CL International Holdings Limited is interested under the SFO.
- Win Plus Group Limited holds 84% interest in the issued share capital of Aplus Worldwide Limited as well as approximately 73.77% interest in the issued share capital of Adwin Investment Limited and is accordingly taken to have an interest in the 44,024,802 shares of the Company in total under the SFO.
- Win Plus Group Limited is owned as to 50% by AFS Holdings Limited and 50% by Ardian Holdings Limited. Accordingly, AFS Holdings Limited and Ardian Holdings Limited are each taken to have an interest in the 44,024,802 shares of the Company in which Win Plus Group Limited is interested under the SFO.
- Mr. Fung Pak Chuen, Alphonso is the sole beneficial owner of AFS Holdings Limited, so Mr. Fung is deemed to have an interest in the 44,024,802 shares of the Company.
- Mr. Lo, Richard is the sole beneficial owner of Ardian Holdings Limited, so Mr. Lo is deemed to have an interest in the 44,024,802 shares of the Company.
- AFS Holdings Limited is wholly owned by Mr. Fung, Mrs. Fung, Pui Lan, Angela, being the spouse of Mr. Fung, is therefore taken to have an interest in the 44,024,802 shares of the Company under the SFO.
- Ardian Holdings Limited is wholly owned by Mr. Lo, Mrs. Lo, Lilian, being the spouse of Mr. Lo, is therefore taken to have an interest in the 44,024,802 shares of the Company under the SFO.
- Merryway Limited is wholly-owned by Mr. Lam Tsan Tai Fergus.
- Asia Financing Limited is wholly-owned by Mr. Cheung Siu Wing.

DIRECTORS' REPORT

Long positions in the underlying shares of the Company

Name of shareholder	Capacity in which such interests were held	Description of derivatives	Number of warrants	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun	Beneficial owner	Warrants (Note)	20,900,000	19.94%

Note:

On 6th September, 2008, the Company entered into a service agreement with Mr. Chui Bing Sun (the "Agent") pursuant to which the Agent is appointed for providing service for the business of the Group. In consideration of the performance of the service to be rendered by the Agent, the Company granted the warrants, which is exercisable at any time during the period of three years commencing from 30 September 2008, to subscribe for 20,900,000 shares at the exercise price of HK\$0.46 per share.

Save as disclosed above, as at 31st December, 2008 so far as was known to any Director of the Company, no other persons had an interest or a short position in the shares, equity derivatives, underlying shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 74% of the total sales for the year and sales to the largest customer included therein amounted to 62%. Purchases from the Group's five largest suppliers accounted for 33% of the total purchases for the year and purchases from the largest supplier included therein amounted to 22%.

Save for one of the largest customers and two of the largest suppliers, being the subsidiaries of CLIH, as more fully disclosed in note 23 to the consolidated financial statements, in which the executive director, Mr. Fung Pak Chuen, Alphonso and former executive director, Mr. Lo, Richard had deemed beneficial interests therein under the SFO, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities for the year ended 31st December, 2008.

DIRECTORS' REPORT

COMPETING INTERESTS

As at 31st December, 2008, the directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required by the GEM Listing rules.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Fung Pak Chuen, Alphonso

Chairman

Hong Kong, 26th March, 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and upholding good corporate governance practices that promote greater transparency and quality of disclosure as well as more effective internal control.

The Company has considered the code provisions set out in Appendix 15 of the GEM Listing Rules (the "Code") and has taken steps to comply with it where appropriate. In the opinion of the Directors, the Company had complied with the Code throughout the year ended 31st December, 2008, except that the Code A.2.1 and B.1.1. Detail of the deviation is set out in the relevant section below.

DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31st December, 2008, the Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

The board of directors (the "Board") of the Company comprises of five directors, including two executive directors and three independent non-executive directors. Details of the Chairman and the Directors are set out in the Directors' Report.

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving the Group's financial statements. The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

The Company complies at all times during the year under review with the minimum requirements of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to the requirement of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive directors of the Company of his independence to the Company. The Company considers that all of the independent non-executive directors are independent in accordance with the guidelines set out in rule 5.09 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board meets regularly and held four full Board meetings in 2008 at approximately quarterly intervals. At least 14 days notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. The following was an attendance record of the regular Board meetings for the year ended 31st December, 2008:

Name of Directors	Number of meetings Attended/Total
Executive Directors	
Mr. Fung Pak Chuen, Alphonso	4/4
Mr. Mak Kwong Yiu (appointed on 30th July, 2008)	3/4
Mr. Lo, Richard (resigned on 29th August, 2008)	2/4
Independent Non-Executive Directors	
Mr. Lee Sai Yeung	4/4
Mr. Chung Kong Fei, Stephen	4/4
Mr. Ng Chik Sum, Jackson	4/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code A.2.1 stipulates that the role of Chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive officer". The general manager of each business unit of the Company undertakes the day-to-day management of the Company's business, whereas the Chairman is responsible for management of the Board and strategic planning of the Group. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement and the operations of the Board which comprises experienced and high calibre individuals with a substantial number thereof being independent non-executive directors.

REMUNERATION OF DIRECTORS

Code B.1.1 stipulates that company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The Company does not establish a remuneration committee as required by this Code. The Board is in the opinion that establishment of a remuneration committee does not really benefit to the Group after due consideration of the size of the Group and the associated costs involved. According to the current practice of the Company, remuneration of directors are reviewed and approved at regular Board meetings which have the presence of the independent non-executive directors. In addition, the director will abstain from voting on the relevant board resolution in which he has interest.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee in consideration of the size of the Group. The Board is empowered under the Company's Articles to appoint any person as a director either to fill a casual vacancy on or as an addition to the Board. Any director so appointed by the Board shall hold office only until the next following general meeting of the Company shall then be eligible for re-election. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2008, the Auditor's remuneration was approximately HK\$226,000 which was for statutory audit services.

The charge for non-statutory audit service was approximately HK\$150,000, which was mainly related to the preparation of accountants' report for very substantial disposals.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Chik Sum, Jackson, Mr. Lee Sai Yeung and Mr. Chung Kong Fei, Stephen. Mr. Lee Sai Yeung resigned as an independent non-executive Director and member of the Audit Committee on 26 March 2009. Mr. Pang Wing Kin, Patrick was appointed as the independent non-executive Director and member of the Audit Committee of the Company on 26 March 2009. The Audit Committee held four meetings for the year ended 31st December, 2008 and has reviewed the Company's annual, interim and quarterly financial reports, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval. The following was an attendance record of the Audit Committee meetings held for the year ended 31st December, 2008:

Name of Audit Committee member	Number of meetings Attended/Total
Mr. Ng Chik Sum, Jackson (<i>Chairman</i>)	4/4
Mr. Lee Sai Yeung	4/4
Mr. Chung Kong Fei, Stephen	4/4

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature however, such internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

As might be expected in a Group of this size, a key control procedure is the day-to-day supervision of the business by the Executive Directors, supported by managers responsible for operations and the key central and divisional support functions of finance, information systems and human resources. Key elements of the internal control system are described below. These have all been in place throughout the year under review and up to the date of this report and are reviewed regularly by the Board:

- clearly defined management structure, lines of responsibility and delegation of authority;
- high recruitment standards and formal career development and training to ensure the integrity and competence of staff;
- regular and comprehensive information provided to management, covering financial performance and non-financial measures;
- procedures for the approval of capital expenditure, investments and acquisitions;
- detailed budgeting process where the top management are involved in the budget setting process, constantly monitoring key statistics and reviewing management accounts on a monthly basis, noting and investigating major variances;
- consideration of progress made against significant business risks at monthly management review meetings, with quarterly briefings to the Board.

The Board has considered the need for an internal audit function, and concluded that, given the size of the Group and the systems and controls in place, it is not appropriate at present. The Board will review this on a regular basis.

INDEPENDENT AUDITOR'S REPORT

大信梁學濂(香港)會計師事務所



Accountants &
business advisers

26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF COMPUTECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Computech Holdings Limited (the "Company") set out on pages 26 to 66, which comprise the consolidated and company balance sheets as at 31st December, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF

Certified Public Accountants

Hong Kong, 26th March, 2009

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31st December, 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	4	38,758	36,353
Cost of sales		(30,197)	(29,126)
Gross profit		8,561	7,227
Other income		322	18
Selling and distribution expenses		(47)	(195)
Administrative expenses		(10,920)	(7,268)
Operating loss		(2,084)	(218)
Share of net losses of an associate		(1)	(4)
Loss before income tax	5	(2,085)	(222)
Income tax credit/(expense)	6	1	(9)
Loss from continuing operations	7	(2,084)	(231)
Discontinued operations	27		
Profit from discontinued operations		1,108	1,907
(Loss)/profit for the year		(976)	1,676
Attributable to:–			
Shareholders of the Company		(976)	1,681
Minority interests		–	(5)
(Loss)/profit for the year		(976)	1,676
(Loss)/earnings per share – Basic (HK cents)	8		
From continuing and discontinued operations (HK cents)		(0.93)	1.60
From continuing operations (HK cents)		(1.99)	(0.22)
From discontinued operations (HK cents)		1.06	1.82

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	Note	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment	11	417	768
Interests in associates	13	4	3
		<u>421</u>	<u>771</u>
CURRENT ASSETS			
Inventories	14	1,824	3,576
Debtors, deposits and prepayments	15	2,010	8,221
Amount due from a shareholder	17(a)	23	–
Amounts due from related companies	17(b)	6,045	2,466
Income tax recoverable		23	147
Cash and bank balances	16	3,063	3,124
		<u>12,988</u>	<u>17,534</u>
DEDUCT:			
CURRENT LIABILITIES			
Creditors, accruals and deposits received	18	4,585	6,969
Amount due to a shareholder	17(a)	–	15
Income tax payable		–	107
		<u>4,585</u>	<u>7,091</u>
NET CURRENT ASSETS		<u>8,403</u>	<u>10,443</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,824</u>	<u>11,214</u>
NON-CURRENT LIABILITY			
Loans from directors	19	–	(2,256)
NET ASSETS		<u>8,824</u>	<u>8,958</u>
REPRESENTING:			
SHARE CAPITAL	20	5,240	5,240
RESERVES	21	3,584	3,703
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>8,824</u>	<u>8,943</u>
MINORITY INTERESTS		–	15
TOTAL EQUITY		<u>8,824</u>	<u>8,958</u>

Approved and authorised for issue by the Board of Directors on 26th March, 2009.

Fung Pak Chuen, Alphonso
Director

Mak Kwong Yiu, Mark
Director

BALANCE SHEET

At 31st December, 2008

	Note	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSET			
Interests in subsidiaries	12	<u>4,727</u>	<u>5,271</u>
CURRENT ASSETS			
Amount due from a fellow subsidiary		25	–
Amount due from a related company	17(c)	–	8
Deposits and prepayments		127	107
Income tax recoverable		–	19
Cash at bank		<u>1,790</u>	<u>76</u>
		<u>1,942</u>	<u>210</u>
DEDUCT:			
CURRENT LIABILITIES			
Accruals		395	150
Amounts due to subsidiaries	12(c)	<u>4,041</u>	<u>185</u>
		<u>4,436</u>	<u>335</u>
NET CURRENT LIABILITIES			
		<u>(2,494)</u>	<u>(125)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2,233</u>	<u>5,146</u>
NON-CURRENT LIABILITY			
Loans from directors	19	<u>–</u>	<u>(2,256)</u>
NET ASSETS			
		<u>2,233</u>	<u>2,890</u>
REPRESENTING:			
SHARE CAPITAL	20	5,240	5,240
RESERVES	21	<u>(3,007)</u>	<u>(2,350)</u>
SHAREHOLDERS' FUNDS			
		<u>2,233</u>	<u>2,890</u>

Approved and authorised for issue by the Board of Directors on 26th March, 2009

Fung Pak Chuen, Alphonso
Director

Mak Kwong Yiu, Mark
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st December, 2008

	Attributable to shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1.1.2007	5,240	3,465	80	–	–	(1,639)	7,146	–	7,146
Issue of shares	–	–	–	–	–	–	–	20	20
Translation of financial statements of a PRC subsidiary and an associate	–	–	116	–	–	–	116	–	116
Profit for the year	–	–	–	–	–	1,681	1,681	(5)	1,676
At 31.12.2007 and 1.1.2008	5,240	3,465	196	–	–	42	8,943	15	8,958
Disposal of a subsidiary with a minority shareholder	–	–	–	–	–	–	–	(15)	(15)
Disposal of a PRC subsidiary	–	–	(196)	–	–	–	(196)	–	(196)
Share-based payments	–	–	–	28	1,025	–	1,053	–	1,053
Loss for the year	–	–	–	–	–	(976)	(976)	–	(976)
At 31.12.2008	5,240	3,465	–	28	1,025	(934)	8,824	–	8,824

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31st December, 2008

	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)/profit		
from continuing operations	(2,085)	(218)
from discontinued operations	1,281	2,250
	(804)	2,032
Adjustments for:–		
Interest income	(10)	(46)
Depreciation	453	631
Share-based payments	1,053	–
Loss on disposal of plant and equipment	4	37
Gain on disposal of interest in an associate	–	(63)
Gain on disposal of discontinued operation	(103)	–
Operating profit before working capital changes	593	2,591
Decrease/(increase) in inventories	808	(299)
Decrease/(increase) in debtors, deposits and prepayments	2,557	(2,412)
(Increase)/decrease in amounts due from related companies	(7,140)	186
Increase in creditors, accruals and deposits received	3,816	1,055
Cash generated from operations	634	1,121
Interest received	10	46
Income tax paid	(201)	(322)
NET CASH GENERATED FROM OPERATING ACTIVITIES	443	845
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire plant and equipment	(289)	(331)
Proceeds from disposal of plant and equipment	–	4
Proceeds from disposal of interest in an associate	–	40
Net cash generated from disposal of subsidiaries	2,080	–
(Increase)/decrease in amounts due from associates	(1)	329
NET CASH GENERATED FROM INVESTING ACTIVITIES	1,790	42
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans from directors	(2,256)	–
(Decrease)/increase in amount due to a shareholder	(15)	27
Increase in amount due from a shareholder	(23)	–
Issue of shares to a minority shareholder	–	20
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(2,294)	47
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(61)	934
EXCHANGE ADJUSTMENT OF CASH AND CASH EQUIVALENTS	–	103
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	3,124	2,087
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	3,063	3,124
Cash and bank balances		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

1. GENERAL INFORMATION

Computech Holdings Limited (the "Company") is a limited liability company incorporated in Cayman Islands. The addresses of registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company and its subsidiaries (collectively the "Group") are principally engaged in provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products, in the People's Republic of China (the "PRC") and Hong Kong.

The Company is listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

(b) Initial application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following new and revised Hong Kong Financial Reporting Standards:-

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets – Effective Date and Transition
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except that reclassification of certain held-for-trading financial assets is now permitted by Amendments to HKAS 39 and HKFRS 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

2. BASIS OF PREPARATION (Continued)

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31st December, 2008 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for the annual period beginning on 1st January, 2008:–

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates
Amendments to HKAS 39	Eligible Hedged Items
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Improvements to HKFRSs	

The Group is required to initially apply HKAS 1 (Revised), HKAS 23 (Revised), HKFRS 8, amendments to HKAS 32 and HKAS 1, amendment to HKFRS 2, amendments to HKFRS 1 and HKAS 27, HK(IFRIC)-Int 13, HK(IFRIC)-Int 15, HK(IFRIC)-Int 16 and Improvements to HKFRSs (except for the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1) in its annual financial statements beginning on 1st January, 2009, and to initially apply HKAS 27 (Revised), HKFRS 1 (Revised), HKFRS 3 (Revised), HK(IFRIC)-Int 17, amendments to HKAS 39 and Improvements to HKFRSs regarding the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1 in its annual financial statements beginning on 1st January, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Measurement basis**

The consolidated financial statements are prepared under the historical cost basis.

(b) **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2008. The results of subsidiaries during the year are dealt with in the consolidated income statement from the dates of acquisition. All significant intra-group transactions and balances have been eliminated on consolidation.

Minority interests represent the results and net assets of the subsidiaries attributable to equity interest not owned, directly or indirectly, by the Company.

(c) **Revenue recognition**

Turnover represents revenue from sale of goods measured at the invoiced value of goods sold less returns and discounts and service income which included provision of IT services and supply chain solutions, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products, in the People's Republic of China and Hong Kong.

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Income from rendering of computer related services is recognised at the time when the services are provided.

Interest income is recognised as it accrued using the effective interest method.

(d) **Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Repair and maintenance costs are charged to the consolidated income statement in the period in which they are incurred.

Depreciation is calculated to write off the costs of plant and equipment to their estimated residual values over their estimated useful lives on a straight-line basis as set out below:—

Computer equipment	- 3 years
Furniture and fixtures	- 4 years
Leasehold improvements	- the shorter of remaining lease term and useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **Plant and equipment (Continued)**

The gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying value of the asset and is recognised in the consolidated income statement.

(e) **Investments in subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(f) **Investments in associates**

An associate is an entity, not being a subsidiary or a joint venture, in which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated income statement includes the Group's share of the post-acquisition results of the associates and the consolidated balance sheet includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

(g) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

(h) **Payables**

Payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

(i) **Employee benefits**

Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the consolidated income statement as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

(k) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) **Income tax (Continued)**

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) **Cash equivalents**

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) **Leases**

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the terms of the relevant leases.

(n) **Related parties**

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

(o) **Foreign currency translation**

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

(p) Significant judgement

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the financial statements are made in determining:–

- (i) whether there is an indication of impairment of assets;
- (ii) whether the discount rates used to calculate the recoverable amount of assets are appropriate for the purpose of impairment review; and
- (iii) the expected manner of recovery of the carrying amount of assets.

(q) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

- (i) the post-tax profit or loss of the discontinued operation; and
- (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Share-based payments

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve and warrants reserve).

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold and related computer services rendered. An analysis of the Group's turnover and other revenue is as follows:–

2008

	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Sales	686	9,042	9,728
Service income	<u>38,072</u>	<u>1,689</u>	<u>39,761</u>
Turnover	38,758	10,731	49,489
Interest income	<u>6</u>	<u>4</u>	<u>10</u>
Total revenue	<u><u>38,764</u></u>	<u><u>10,735</u></u>	<u><u>49,499</u></u>

2007

	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Sales	256	20,072	20,328
Service income	<u>36,097</u>	<u>4,073</u>	<u>40,170</u>
Turnover	36,353	24,145	60,498
Interest income	<u>14</u>	<u>32</u>	<u>46</u>
Total revenue	<u><u>36,367</u></u>	<u><u>24,177</u></u>	<u><u>60,544</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

5. LOSS BEFORE INCOME TAX

Continuing operations:–

	2008 HK\$'000	2007 HK\$'000
Loss before income tax is arrived at after charging/(crediting):–		
Cost of inventories expensed	3,868	3,556
Minimum lease payments paid under operating leases	1,748	1,908
Auditor's remuneration	226	230
Depreciation	375	467
Directors' remuneration - Note 10(a)	1,828	1,143
Other staff salaries and benefits	17,097	18,250
Retirement scheme contributions	652	196
Exchange (gain)/loss	(1)	21
Loss on disposal of plant and equipment	4	–

Discontinued operations:–

	2008 HK\$'000	2007 HK\$'000
Profit before income tax is arrived at after charging/(crediting):–		
Cost of inventories expensed	3,939	9,467
Minimum lease payments paid under operating leases	135	438
Auditor's remuneration	38	49
Bad debts recovered	–	(170)
Depreciation	78	164
Directors' remuneration - Note 10(a)	–	767
Other staff salaries and benefits	1,163	3,508
Retirement scheme contributions	6	217
Exchange loss, net	6	–
Gain on disposal of discontinued operation	103	–
Loss on disposal of plant and equipment	–	37
Gain on disposal of interest in an associate	–	(63)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

6. INCOME TAX (CREDIT)/EXPENSE

	2008 HK\$'000	2007 HK\$'000
Current income tax – Hong Kong Profits Tax		
– Provision for the year	163	295
– Over-provision in respect of prior year	(6)	–
	<u>157</u>	<u>295</u>
Current income tax – PRC enterprise income tax		
– Provision for the year	15	57
	<u>172</u>	<u>352</u>
Income tax (credit)/expense contributable to continuing operations	<u>(1)</u>	<u>9</u>
Income tax expense contributable to discontinued operations	<u>173</u>	<u>343</u>

The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year. Overseas taxation represents the income tax of a branch in the People's Republic of China which is subject to the Income Tax Law of the PRC for Enterprises with Foreign Investment. The provision for PRC enterprise income tax for 2008 is calculated at 25% (2007: 33%) of the estimated assessable profits for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

6. INCOME TAX (CREDIT)/EXPENSE (Continued)

(a) The income tax expense for the year can be reconciled to the (loss)/profit per income statement as follows:–

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit before income tax		
– from continuing operations	(2,085)	(222)
– from discontinued operations	1,178	2,250
	<u>(907)</u>	<u>2,028</u>
Tax effect at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	(150)	355
PRC and Hong Kong tax rates differential	38	43
Tax effect of income that is not taxable	(1,056)	(103)
Tax effect of expenses that are not deductible	994	20
Tax effect of unrecognised (decelerated)/accelerated depreciation allowances	(24)	50
Tax effect of tax loss not recognised	383	44
Utilisation of previously recognised tax losses	(7)	(57)
Over-provision in respect of prior year	(6)	–
Income tax expense	<u>172</u>	<u>352</u>

(b) The components of unrecognised deductible/(taxable) temporary differences are as follows:–

	2008 HK\$'000	2007 HK\$'000
Deductible/(taxable) temporary differences		
Unutilised tax losses (Note 6(b)(i))	2,660	340
Accelerated depreciation allowances	(701)	(557)
Net deductible/(taxable) temporary difference	<u>1,959</u>	<u>(217)</u>

(i) Unutilised tax losses have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the unutilised tax losses. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to HK\$2,660,000 (2007: HK\$340,000) can be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

7. LOSS FOR THE YEAR

The consolidated loss attributable to shareholders of the Company includes a loss of approximately HK\$1,710,000 (2007: approximately HK\$248,000) which has been dealt with in the financial statements of the Company.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the year is based on the following data:–

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit attributable to shareholders of the Company for the year	<u>(976)</u>	<u>1,681</u>
Attributable to:		
Continuing operations	<u>(2,084)</u>	<u>(231)</u>
Discontinued operations	<u>1,108</u>	<u>1,912</u>
Shares		
Weighted average number of ordinary shares in issue	<u>104,802,000</u>	<u>104,802,000</u>

Diluted earnings per share is not presented as there were no dilutive potential shares outstanding at anytime during the year.

9. RETIREMENT BENEFIT COSTS

The Hong Kong operating subsidiaries of the Group had participated in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the ORSO Scheme and MPF Scheme are held separately in independently managed and administered funds. Contributions to the ORSO Scheme and MPF Scheme are made by both the employer and employees at 5% on the employees' salaries.

The Company's subsidiary in the PRC has participated in a central pension scheme, contributions are made by the subsidiary to the scheme based on 20% to 28% of the applicable payroll costs. The Group has no obligation other than above-mentioned contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Details of emoluments paid by the Group to the directors during the year are as follows:–

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Share- based payments HK\$'000	Total HK\$'000
2007					
Executive directors:					
Fung Pak Chuen, Alphonso	–	1,648	82	–	1,730
Lo, Richard	–	–	–	–	–
	<u>–</u>	<u>1,648</u>	<u>82</u>	<u>–</u>	<u>1,730</u>
Independent non-executive directors					
Lee Sai Yeung	60	–	–	–	60
Chung Kwong Fei, Stephen	60	–	–	–	60
Ng Chik Sum, Jackson	60	–	–	–	60
	<u>180</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180</u>
	<u>180</u>	<u>1,648</u>	<u>82</u>	<u>–</u>	<u>1,910</u>
2008					
Executive directors:					
Fung Pak Chuen, Alphonso	–	1,495	75	–	1,570
Mak Kwong Yiu, Mark	50	–	–	28	78
Lo, Richard	–	–	–	–	–
	<u>50</u>	<u>1,495</u>	<u>75</u>	<u>28</u>	<u>1,648</u>
Independent non-executive directors					
Lee Sai Yeung	60	–	–	–	60
Chung Kong Fei, Stephen	60	–	–	–	60
Ng Chik Sum, Jackson	60	–	–	–	60
	<u>180</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180</u>
	<u>230</u>	<u>1,495</u>	<u>75</u>	<u>28</u>	<u>1,828</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) (Continued)

(i) During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) No directors waived any emoluments during the year.

(b) Five highest paid individuals

Among the five highest paid individuals in the Group, one is the director of the Company and the details of his remuneration have already been disclosed above.

The emoluments and designated band of the remaining four highest paid, non-director individuals during the year are as follows:–

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	1,730	2,128
Retirement scheme contributions	77	86
	<u>1,807</u>	<u>2,214</u>

The remuneration of the non-director, highest paid employees during the year fell within the band of nil to HK\$1,000,000.

(i) During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

11. PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:–				
At 1.1.2007	1,528	34	227	1,789
Exchange adjustment	5	1	2	8
Additions	331	–	–	331
Disposals	(97)	–	–	(97)
At 31.12.2007	<u>1,767</u>	<u>35</u>	<u>229</u>	<u>2,031</u>
Accumulated depreciation:–				
At 1.1.2007	613	12	60	685
Exchange adjustment	3	–	–	3
Charge for the year	530	8	93	631
Written back on disposals	(56)	–	–	(56)
At 31.12.2007	<u>1,090</u>	<u>20</u>	<u>153</u>	<u>1,263</u>
Net book value:–				
At 31.12.2007	<u>677</u>	<u>15</u>	<u>76</u>	<u>768</u>
Cost:–				
At 1.1.2008	1,767	35	229	2,031
Additions	260	–	29	289
Disposals:				
– Others	(13)	–	–	(13)
– Through disposal of subsidiaries	(456)	(21)	(61)	(538)
At 31.12.2008	<u>1,558</u>	<u>14</u>	<u>197</u>	<u>1,769</u>
Accumulated depreciation:–				
At 1.1.2008	1,090	20	153	1,263
Charge for the year	400	5	48	453
Written back on disposals	(9)	–	–	(9)
Disposals of subsidiaries	(323)	(15)	(17)	(355)
At 31.12.2008	<u>1,158</u>	<u>10</u>	<u>184</u>	<u>1,352</u>
Net book value:–				
At 31.12.2008	<u>400</u>	<u>4</u>	<u>13</u>	<u>417</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

12. INTERESTS IN SUBSIDIARIES

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	100	100
Less: Provision for impairment loss	(100)	(100)
	–	–
Amounts due from subsidiaries - Note 12(b)	4,727	5,271
	<u>4,727</u>	<u>5,271</u>

(a) The details of the subsidiaries are as follows:–

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of share capital	Attributable equity interest held by the Group		Principal activities and place of operation
			Directly	Indirectly	
Computech International Limited	The British Virgin Islands, limited liability company	1,000 ordinary shares of US\$1 each	100%	–	Investment holding in Hong Kong
CL Solutions Services Limited	Hong Kong, limited liability company	100,000 ordinary shares of HK\$1 each	–	100%	Provision of hardware warranty services and investment holding in Hong Kong
CL Smart Sourcing Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	–	100%	Provision of IT staff outsourcing and recruitment services in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

12. INTERESTS IN SUBSIDIARIES (Continued)

(a) (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of share capital	Attributable equity interest held by the Group		Principal activities and place of operation
			Directly	Indirectly	
CL Computers Services Limited	Hong Kong, limited liability company	20,000 ordinary shares of HK\$1 each	–	100%	Dormant
CL Services Limited	Hong Kong, limited liability company	300,000 ordinary shares of HK\$1 each	–	100%	Provision of IT support services in Hong Kong
Computech Online Limited *	The British Virgin Islands, limited liability company	1 ordinary share of US\$1	–	100%	Dormant

* subsidiary with no statutory financial statements or statutory financial statements is not audited by PKF.

- (b) The amounts due from subsidiaries are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts approximate their fair values.
- (c) The amounts due to subsidiaries are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts approximate their fair value.

13. INTERESTS IN ASSOCIATES

	2008 HK\$'000	2007 HK\$'000
Share of net assets	–	–
Amount due from an associate - Note 13(b)	4	3
	<u>4</u>	<u>3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

13. INTERESTS IN ASSOCIATES

(a) The Group's interests in associates are as follows:—

Name	Place of incorporation	Particulars of issued shares	Assets	Liabilities	Revenue	Loss	Interest held
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2008							
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	5	13	—	(1)	50
2007							
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	5	12	—	(3)	50

(b) The amount due from an associate is interest-free, unsecured and repayable on demand. The directors consider the carrying amount approximates its fair value.

14. INVENTORIES

	2008 HK\$'000	2007 HK\$'000
Equipment and accessories held for re-sale	—	1,599
Spare parts	1,824	1,977
	1,824	3,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK\$'000	2007 HK\$'000
Debtors, deposits and prepayments comprise:–		
Trade debtors	1,746	7,816
Other debtors, deposits and prepayments	264	405
	2,010	8,221

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associate with trade debtors, credit evaluations of customers are performed periodically. The credit period given to trade debtors ranged from 30 days to 60 days. The following is an aging analysis of trade debtors.

	2008 HK\$'000	2007 HK\$'000
Within 3 months	1,635	6,448
4 – 6 months	96	1,301
7 – 12 months	15	67
	1,746	7,816

16. CASH AND BANK BALANCES

At 31st December, 2008, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$1,000 (2007: HK\$879,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

17. AMOUNTS DUE FROM/(TO) A SHAREHOLDER AND RELATED COMPANIES

- (a) The amount due from/(to) a shareholder is interest-free, unsecured and repayable on demand. The directors consider the carrying amount approximates its fair value.
- (b) The amounts due from related companies are trade related which arose in ordinary and usual course of business of the Group and are on normal commercial terms and aged within 3 months for both year end. The directors consider the carrying amounts approximate their fair values.

	2008	2007
	HK\$'000	HK\$'000
1 – 30 days	2,382	1,077
30 – 60 days	2,465	11
	4,847	1,088

- (c) The amount due from a related company is interest-free, unsecured and repayable on demand. The amount is non-trade related aged within 3 months. The directors consider the carrying amount approximates its fair value.

Details disclosed pursuant to section 161(B) of the Hong Kong Companies Ordinance in relation to an amount due from a related company in which director Fung Pak Chuen, Alphonso, and former executive director, Lo, Richard have controlling interest are as follows:–

Related company	Balance outstanding		
	At	Maximum	At
	1.1.2008	during	31.12.2008
	HK\$'000	the year	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
CL Systems (China) Limited	8	8	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

18. CREDITORS, ACCRUALS AND DEPOSITS

	2008 HK\$'000	2007 HK\$'000
Creditors, accruals and deposits comprise:		
Trade creditors	2,500	2,584
Other creditors, accruals and deposits	1,820	2,658
Deferred revenue	115	1,112
Deposits received	150	615
	<u>4,585</u>	<u>6,969</u>

The following is an aging analysis of trade creditors:–

	2008 HK\$'000	2007 HK\$'000
Within 3 months	2,247	2,417
4 - 6 months	89	167
7 - 12 months	1	–
Over 1 year but within 2 years	163	–
	<u>2,500</u>	<u>2,584</u>

19. LOANS FROM DIRECTORS

The loans are interest-free, unsecured and have been repaid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

20. SHARE CAPITAL

	2008 HK\$'000	2007 HK\$'000
Authorised:—		
200,000,000 Ordinary shares of HK\$0.05 each	10,000	10,000
Issued and fully paid:—		
104,802,000 Ordinary shares of HK\$0.05 each	5,240	5,240

21. RESERVES

The Group	Share premium HK\$'000	Translation reserve HK\$'000	Share options reserve (Note 21(a)) HK\$'000	Warrants Reserve (Note 21(b)) HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
At 1.1.2007	3,465	80	—	—	(1,639)	1,906
Translation of financial statements of a PRC subsidiary and an associate	—	116	—	—	—	116
Profit for the year	—	—	—	—	1,681	1,681
At 31.12.2007 and 1.1.2008	3,465	196	—	—	42	3,703
Disposal of a PRC subsidiary	—	(196)	—	—	—	(196)
Share-based payments	—	—	28	1,025	—	1,053
Loss for the year	—	—	—	—	(976)	(976)
At 31.12.2008	3,465	—	28	1,025	(934)	3,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

21. RESERVES

The Company	Share premium HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.1.2007	3,465	–	–	(5,567)	(2,102)
Loss for the year	–	–	–	(248)	(248)
At 31.12.2007 and 1.1.2008	3,465	–	–	(5,815)	(2,350)
Share-based payments	–	28	1,025	–	1,053
Loss for the year	–	–	–	(1,710)	(1,710)
At 31.12.2008	3,465	28	1,025	(7,525)	(3,007)

(a) **Share options reserve**

The share options reserve arises on the grant of share options to a director under the Scheme. Further information about share-based payments to such director is set out in note 28(a).

(b) **Warrants reserve**

The warrants reserve arises on the grant of warrants to the Group's agent under service agreement entered into by the Group and the agent. Further information about share-based payments to the agent is set out in note 28(b).

22. OPERATING LEASES COMMITMENTS

As at 31st December, 2008, the Group had outstanding commitments under non-cancellable operating leases for which the aggregate minimum lease payments fall due as follows:–

	2008 HK\$'000	2007 HK\$'000
Within one year	552	2,160
In the second to fifth years inclusive	–	552
	552	2,712

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of two years with fixed monthly rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

23. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group had the following transactions with CL International Holdings Limited and its subsidiaries ("CLIH Group"):-

	Note	2008 HK\$'000	2007 HK\$'000
Provision of IT services to CLIH Group	(i)	31,659	29,738
Purchases from CLIH Group	(i)	6,942	13,779
Acquisition of plant and equipment from CLIH Group	(ii)	-	82

The above transactions were entered into on the following bases:-

- (i) amounts with reference to market price of goods sold or services rendered; and
- (ii) at net book value of assets transferred.

- (b) Key management compensation

	2008 HK\$'000	2007 HK\$'000
Salaries, allowances and other benefits in kind	3,253	3,776
Retirement scheme contributions	152	168
	3,405	3,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages currency risks, when they are considered significant, by entering into appropriate currency forward contacts.

Carrying amounts of financial assets and financial liabilities as at 31st December, 2008 that are exposed to currency risks were as follows:–

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Financial assets denominated in foreign currencies:–				
Debtors, deposits and prepayment	–	6,179	–	3
Cash and bank balances	4	1,100	2	–
	4	7,279	2	3
Financial liabilities denominated in foreign currencies:–				
Creditors, accruals and deposits	(1,004)	(1,020)	–	–
Net financial (liabilities)/assets exposed to currency risks	(1,000)	6,259	2	3

The company's financial assets and financial liabilities exposed to currency risks were primarily denominated in United States dollars and Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (Continued)

(a) Currency risk (Continued)

The net financial assets/(liabilities) denominated in foreign currencies are analysed as follows:–

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
USD	4	5,162	2	3
Renminbi	(1,004)	1,097	–	–
	<u>(1,000)</u>	<u>6,259</u>	<u>2</u>	<u>3</u>

Since Hong Kong dollars is pegged to United States dollars, impact on material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

If the Renminbi has weakened against Hong Kong dollars by 5% at the balance sheet date, the net assets of the Group would increase by approximately HK\$50,000 (2007: decreased by approximately HK\$55,000).

(b) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing financial assets and liabilities. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the company by failing to discharge an obligation.

The Group's credit risk is primarily attributable to trade debtors and bank balances. With respect to trade debtors, the Group has also adopted credit policies, which include the analysis of the financial position of its clients and a regular review of their credit limits. The Group maintains an allowance for doubtful accounts and actual losses have been less than management's expectations and the Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, the Group's bank balances were held by major financial institutions located in Hong Kong, which management believes are of high credit quality. Accordingly, the overall credit risk is considered limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (Continued)

(c) Credit risk (Continued)

Carrying amounts of financial assets as at 31st December, 2008, which represented the amounts of maximum exposure to credit risks, were as follows:–

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Amount due from an associate	4	3	–	–
Debtors, deposits and prepayment	2,010	8,221	127	107
Amount due from a shareholder	23	–	–	–
Amounts due from related companies	6,045	2,466	–	8
Cash and bank balances	3,063	3,124	1,790	76
	11,145	13,814	1,917	191

The directors are satisfied with the credit quality of financial assets.

(d) Liquidity risk and capital management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities and capital management. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group and the Company to meet its financial obligations, measured by the debt-to-equity capital ratio.

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Total debt	4,585	9,347	4,436	2,591
Less: Cash and cash equivalents	3,063	3,124	1,790	76
Net debt	1,522	6,223	2,646	2,515
Total equity	8,824	8,958	2,233	2,890
Net debt-to-adjusted capital ratio	17%	69%	118%	87%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (Continued)

(d) Liquidity risk and capital management (Continued)

Maturities of the financial liabilities of the Group and the Company as at 31st December, 2008 were as follows:–

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Total amounts of contractual undiscounted obligations:–				
Creditors, accruals and deposits received	4,585	6,969	395	150
Amount due to a shareholder	–	15	–	–
Amounts due to subsidiaries	–	–	4,041	185
Income tax payable	–	107	–	–
Loans from directors	–	2,256	–	2,256
	<u>4,585</u>	<u>9,347</u>	<u>4,436</u>	<u>2,591</u>
Due for payment:–				
Within one year	4,585	7,091	395	335
In the second to fifth years	–	2,256	4,041	2,256
	<u>4,585</u>	<u>9,347</u>	<u>4,436</u>	<u>2,591</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

25. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segments; and (b) on a secondary segment reporting basis, by geographical segments.

(a) Business segments

The Group principally operates in two business segments, (i) provision of IT services, and (ii) supply chain solutions.

	Continuing operations –		Discontinued		Unallocated		Consolidated	
	IT services		operations – Supply		items			
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	38,758	36,353	10,731	24,145	–	–	49,489	60,498
Inter-segment sales	–	–	–	–	–	–	–	–
Total revenue	<u>38,758</u>	<u>36,353</u>	<u>10,731</u>	<u>24,145</u>	<u>–</u>	<u>–</u>	<u>49,489</u>	<u>60,498</u>
RESULTS								
Segment results	213	68	1,174	2,357	(2,200)	(502)	(813)	1,923
Interest income	6	15	4	30	–	1	10	46
Gain on disposal of an associate	–	–	–	63	–	–	–	63
Share of net losses of associates	(1)	–	–	(4)	–	–	(1)	(4)
Profit/(loss) before income tax	<u>218</u>	<u>83</u>	<u>1,178</u>	<u>2,446</u>	<u>(2,200)</u>	<u>(501)</u>	<u>(804)</u>	<u>2,028</u>
Income tax expense							(172)	(352)
(Loss)/profit for the year							<u>(976)</u>	<u>1,676</u>
SEGMENT ASSETS								
Segment assets	10,396	5,556	–	12,458	3,009	288	13,405	18,302
Associate	–	3	–	–	4	–	4	3
Total segment assets	<u>10,396</u>	<u>5,559</u>	<u>–</u>	<u>12,458</u>	<u>3,013</u>	<u>288</u>	<u>13,409</u>	<u>18,305</u>
SEGMENT LIABILITIES								
Segment liabilities	(3,132)	(1,009)	–	(6,963)	(1,453)	(1,375)	(4,585)	(9,347)
OTHER INFORMATION								
Depreciation	365	487	78	144	10	–	453	631
Capital expenditure	<u>262</u>	<u>251</u>	<u>12</u>	<u>79</u>	<u>15</u>	<u>1</u>	<u>289</u>	<u>331</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

25. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The Group's two divisions operate in two principal geographical areas - the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong. The following table provides an analysis of the Group's revenue, segment assets and capital expenditure by geographical markets, irrespective of the origin of the goods and services:-

	Hong Kong		PRC		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue from external customers	<u>48,169</u>	<u>54,216</u>	<u>1,320</u>	<u>6,282</u>	<u>49,489</u>	<u>60,498</u>
Segment assets	<u>13,409</u>	<u>10,783</u>	<u>–</u>	<u>7,522</u>	<u>13,409</u>	<u>18,305</u>
Capital expenditure incurred during the year	<u>277</u>	<u>322</u>	<u>12</u>	<u>9</u>	<u>289</u>	<u>331</u>

26. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty are as follows:-

- (i) plant and equipment of HK\$417,000 at 31st December, 2008 (2007: HK\$768,000) were stated at cost less accumulated depreciation and impairment losses. Estimation is made in the determination of the useful lives, residual values and the expected pattern of consumption of the future economic benefits embodied.
- (ii) trade and other debtors of HK\$1,746,000 at 31st December, 2008 (2007: HK\$7,816,000) were carried at amortised cost, less allowance for impairment. Estimation is made in the determination of the allowance for impairment.

Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

27. DISCONTINUED OPERATIONS

On 25th April, 2008, the Group entered into an agreement to sell its entire interest in its supply chain solutions business for a consideration of HK\$6,060,000. The Group completed the transaction and received the full amount consideration of HK\$6,060,000 on 13th June, 2008. The disposal has resulted in a net gain of HK\$103,400 and is included in the year ended 31st December, 2008.

- (a) The results of the discontinued operations for the year ended 31st December, 2007 and up to the date of disposal on 12th June, 2008 were as follows:–

	Period ended 12.6.2008 HK\$'000	Year ended 31.12.2007 HK\$'000
Turnover	10,731	24,145
Cost of sales	(6,337)	(14,193)
Gross profit	4,394	9,952
Other income	16	268
Selling and distribution expenses	(286)	(1,235)
Administrative expenses	(2,946)	(6,735)
Profit before income tax	1,178	2,250
Income tax expense	(173)	(343)
Profit from discontinued operations	1,005	1,907
Gain on disposal of discontinued operations	103	–
	1,108	1,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

27. DISCONTINUED OPERATIONS (Continued)

(b) The net assets of the discontinued operations as at the date of disposal were as follows:–

	<u>HK\$'000</u>
Property, plant and equipment	183
Inventories	944
Trade receivables	3,654
Prepaid tax	46
Amount due from related companies	3,561
Cash and bank deposits	3,980
Creditors, accruals and deposits received	<u>(6,200)</u>
Net assets	6,168
Release of exchange reserve upon disposal	(196)
Minority interests	<u>(15)</u>
	<u><u>5,957</u></u>

(c) The cash flows of the discontinued operations for the year ended 31st December, 2007 and up to the date of disposal on 12th June, 2008 were as follows:–

	Period ended 12.6.2008 HK\$'000	Year ended 31.12.2007 HK\$'000
Net cash generated from operating activities	2,337	658
Net cash (used in)/generated from investing activities	(29)	335
Net cash generated from financing activities	–	20
	<u>2,308</u>	<u>1,013</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

28. SHARE-BASED PAYMENTS

(a) Share option scheme

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company.

The purpose of the Scheme is to encourage the officers and staff to participate in the ownership of the Company in order to provide additional incentives to them.

The maximum entitlement of each participant under the Scheme would not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The option price will be determined by the directors, but may not be less than the highest of the closing price of the shares on the GEM of the Stock Exchange on the date of the grant of the option or the average of the closing price of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the option or the nominal value of the shares.

The Scheme shall remain in force for the period of 10 years commencing on the adoption date of the Scheme which is 2nd June, 2000.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee. Such period being not less than 3 years after the date of grant of the option and not more than 10 years after the date of grant of option but such period is subject to the provisions for early termination contained in the terms of the Scheme.

- (i) The terms and conditions of the share options granted to a director in respect of his services rendered to the Group are as follows, whereby all options are settled by delivery of shares:

Date of grant	Number of share options granted	Vesting conditions	Contractual life of options	Exercise price HK\$
5th September, 2008	500,000	Fully vested on date of grant	3 years	0.56

- (ii) Since the date of grant of share options to balance sheet date, none of the options of the director was exercised, lapsed or cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

28. SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme (Continued)

- (iii) The number and weighted average exercise prices of share options granted to the director of the Company in respect of his services to the Group are as follows:

	<u>2008</u>	
	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	N/A	–
Granted during the year	0.56	500,000
Exercised during the year	N/A	–
	<u>0.56</u>	<u>500,000</u>
Outstanding at the end of the year	<u>0.56</u>	<u>500,000</u>

- (iv) Details of the options granted to the director that remained outstanding as at each balance sheet date are as follows:

	<u>2008 Number of options</u>
Number of share options outstanding	
Granted on 5th September, 2008 with an exercise price of HK\$0.56	<u>500,000</u>
Weighted average remaining contractual life	2.68 years

- (v) The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted during the year ended 31st December, 2008 is measured based on the Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

	<u>2008</u>
Fair value of share options and assumptions	
Fair value at the date of grant	HK\$0.05596
Exercise price	HK\$0.56
Expected volatility	61.91%
Expected average share option life	3 years
Expected annual dividend yield	Nil
Risk-free interest rate per annum	1.64%

The expected volatility is based on the historical volatility. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

28. SHARE-BASED PAYMENTS (Continued)

(b) Warrants

On 6th September, 2008, the Company entered into a service agreement with Mr Chui Bing Sun (the "Agent") pursuant to which the Agent is appointed for providing business development advisory services for the business of the Group. The services provided by the Agent to the Company comprise the provision of (i) introducing new investment opportunities to the Company in areas of interest which the Group has indicated to the Agent, which may or may not be in the principal business line of the Group, (ii) assisting the Company to seek funding for existing business and future business expansion, and (iii) assisting in diversifying the Company's current business.

In consideration of the performance of the services to be rendered by the Agent, the Company granted the warrants, which is exercisable at any time during the period of three years commencing from 30th September, 2008, to subscribe for 20,900,000 shares at the exercise price of HK\$0.46 per share.

- (i) The terms and conditions of the warrants granted to the Agent in respect of his services rendered to the Group are as follows, whereby all warrants are settled by delivery of shares:

Date of grant	Number of warrants granted	Vesting conditions	Contractual life of warrants	Exercise price HK\$
30th September, 2008	20,900,000	Fully vested on date of grant	3 years	0.46

- (ii) Since the date of grant of warrants to balance sheet date, none of the warrants of the Agent was exercised, lapsed or cancelled.

- (iii) The number and weighted average exercise prices of warrants granted to the Agent of the Company in respect of his services to the Group are as follows:

	2008	
	Weighted average exercise price HK\$	Number of warrants
Outstanding at the beginning of the year	N/A	—
Granted during the year	0.46	20,900,000
Exercised during the year	N/A	—
Outstanding at the end of the year	0.46	20,900,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December, 2008

28. SHARE-BASED PAYMENTS (Continued)

(b) Warrants (Continued)

- (iv) Details of the warrants granted to the Agent that remained outstanding as at each balance sheet date are as follows:

	2008
	Number of
	warrants
	<hr/>
Number of warrants outstanding	
Granted on 30th September, 2008 with an exercise price of HK\$0.46	20,900,000
	<hr/>

Weighted average remaining contractual life **2.75 years**

- (v) The fair value of services received in return for warrants granted is measured by reference to the fair value of warrants granted. The estimate of the fair value of the warrants granted during the year ended 31st December, 2008 is measured based on the Black-Scholes Model. The contractual life of the warrants is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

	2008
	<hr/>
Fair value of warrants and assumptions	
Fair value at the date of grant	HK\$0.049034
Exercise price	HK\$0.46
Expected volatility	63.02%
Expected average share option life	3 years
Expected annual dividend yield	Nil
Risk-free interest rate per annum	0.11%

The expected volatility is based on the historical volatility. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

FINANCIAL SUMMARY

RESULTS

	Years ended 31st December,				2008
	2004	2005	2006	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>43,240</u>	<u>82,690</u>	<u>66,872</u>	<u>60,498</u>	49,489
(Loss)/profit for the year	<u>(11,841)</u>	<u>12,035</u>	<u>438</u>	<u>1,676</u>	(976)

ASSETS AND LIABILITIES

	Years ended 31st December,				2008
	2004	2005	2006	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>99</u>	<u>2,102</u>	<u>1,409</u>	<u>771</u>	421
Current assets	13,786	18,835	13,965	17,534	12,988
Deduct:					
Current liabilities	<u>23,241</u>	<u>14,074</u>	<u>5,972</u>	<u>7,091</u>	4,585
Net current (liabilities)/assets	<u>(9,455)</u>	<u>4,761</u>	<u>7,993</u>	<u>10,443</u>	8,403
Total assets less current liabilities	(9,356)	6,863	9,402	11,214	8,824
Non-current liabilities	<u>(2,256)</u>	<u>(2,256)</u>	<u>(2,256)</u>	<u>(2,256)</u>	–
Net (liabilities)/assets	<u>(11,612)</u>	<u>4,607</u>	<u>7,146</u>	<u>8,958</u>	8,824

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the "Meeting") of the shareholders of Computech Holdings Limited (the "Company") will be held at 10/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong at 4 p.m. on Thursday, 30th April 2009 for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31st December, 2008;
2. To re-elect the retiring directors and to authorise the board of directors (the "Board") to fix their remuneration;
3. To re-appoint auditors and authorise the Board to fix their remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

"That

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with the unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:
 - (1) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
 - (2) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for share open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company or any recognized regulatory body or any stock exchange in the territory applicable to the Company).”

5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

“That

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase its shares on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission (the “SFC”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the GEM Listing Rules, the Memorandum and Articles of Association of the Company and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

"That

Subject to the resolution nos. 4 and 5 above being duly passed, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with unissued shares pursuant to resolution no. 4 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 above."

By order of the Board
Computech Holdings Limited
Fung Pak Chuen, Alphonso
Chairman

Hong Kong, 27th March, 2009

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:

10/F.
Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

Notes:

- (a) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as the proxy. A member who is the holder of two or more shares may appoint more than one proxy to represent and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
- (b) A form of proxy for use at the Meeting is enclosed. Such form of proxy is also published on the GEM website at www.hkgem.com.
- (c) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited with the Company's head office at 10/F., Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.