



Computech

Computech Holdings Limited

駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8081

2009

Third Quarterly Report

* 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 “Director”) 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 of the Stock Exchange (“GEM Listing Rules”) 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 omission 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.

QUARTERLY RESULTS

The board (the "Board") of Directors of Computech Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results (the "Results") of the Company and its subsidiaries (together the "Group") for the nine months and three months ended 30 September 2009 together with the comparative unaudited consolidated figures for the corresponding period of 2008. The Results are unaudited but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 30 September 2009

	Note	Nine months ended 30 September		Three months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	25,878	29,512	7,394	9,823
Cost of sales		<u>(20,574)</u>	<u>(23,007)</u>	<u>(6,170)</u>	<u>(7,409)</u>
Gross profit		5,304	6,505	1,224	2,414
Other income		312	339	103	24
Selling and distribution expenses		(39)	(48)	(12)	(8)
Administrative expenses		<u>(7,493)</u>	<u>(8,216)</u>	<u>(2,451)</u>	<u>(3,525)</u>
Loss before income tax		(1,916)	(1,420)	(1,136)	(1,095)
Income tax credit/(expense)	3	<u>–</u>	<u>(136)</u>	<u>57</u>	<u>(74)</u>
Loss from continuing operations		(1,916)	(1,556)	(1,079)	(1,169)
Discontinued operations					
Profit from discontinued operations		<u>–</u>	<u>1,108</u>	<u>–</u>	<u>–</u>
Loss for the period		<u>(1,916)</u>	<u>(448)</u>	<u>(1,079)</u>	<u>(1,169)</u>
Loss per share – Basic	4				
From continuing and discontinued operations (HK cents)		<u>(1.50)</u>	<u>(0.43)</u>	<u>(0.69)</u>	<u>(1.12)</u>
From continuing operations (HK cents)		<u>(1.50)</u>	<u>(1.48)</u>	<u>(0.69)</u>	<u>(1.12)</u>

1. BASIS OF PREPARATION

The Results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The unaudited consolidated results have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies and basis of preparation used in preparing the Results are consistent with those adopted in the audited financial statements for the year ended 31 December 2008.

2. TURNOVER

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

	Nine months ended 30 September		Three months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Continuing operations				
Provision of IT services	25,878	29,512	7,394	9,823
Discontinued operations				
Supply chain solutions	–	10,731	–	–
	25,878	40,243	7,394	9,823

3. INCOME TAX EXPENSE

Income tax represents the provision for Hong Kong profits tax, which is calculated at the tax rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period.

4. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	Nine months ended 30 September		Three months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss attributable to shareholders of the Company for the period	<u>(1,916)</u>	<u>(448)</u>	<u>(1,079)</u>	<u>(1,169)</u>
Attributable to:				
Continuing operations	<u>(1,916)</u>	<u>(1,556)</u>	<u>(1,079)</u>	<u>(1,169)</u>
Weighted average number of shares	<u>128,096,187</u>	<u>104,802,000</u>	<u>157,407,260</u>	<u>104,802,000</u>

Diluted earnings per share is not presented for the nine months and three months ended 30 September 2009 as the outstanding potential ordinary shares of the Company had no dilutive effect on the basis loss per share (2008: Nil).

5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

6. MOVEMENT OF RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Share Options reserve HK\$'000	Warrants reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000
At 1/1/2008 (Audited)	3,465	196	–	–	42	3,703
Disposal of a PRC subsidiary	–	(196)	–	–	–	(196)
Share-based payments	–	–	28	1,025	–	1,053
Loss for the period	–	–	–	–	(448)	(448)
At 30/9/2008 (Unaudited)	<u>3,465</u>	<u>–</u>	<u>28</u>	<u>1,025</u>	<u>(406)</u>	<u>4,112</u>
At 1/1/2009 (Audited)	3,465	–	28	1,025	(934)	3,584
Issue of shares	4,926	–	–	–	–	4,926
Loss for the period	–	–	–	–	(1,916)	(1,916)
At 30/9/2009 (Unaudited)	<u>8,391</u>	<u>–</u>	<u>28</u>	<u>1,025</u>	<u>(2,850)</u>	<u>6,594</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded an unaudited consolidated turnover of approximately HK\$25,878,000 (for the nine months ended 30 September 2008: HK\$29,512,000) for the nine months ended 30 September 2009, representing a decrease of approximately 12% compared with the corresponding period last year. The unaudited net loss attributable to shareholders amounted approximately HK\$1,916,000 (for the nine months ended 30 September 2008: HK\$448,000). The loss per share for the nine months ended 30 September 2009 was HK1.5 cents (for the nine months ended 30 September 2008: HK0.43 cents).

Prospects

One of the Group's major customers, Symantec Inc., terminated the outsourcing of its call center service to the Group in August 2009. We expect that this will result in a decrease in revenue and profit for financial year 2009. The Group will continue to enforce strict cost control and to seek new business opportunities.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2009, 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	Number of shares	Approximate percentage of nominal value of share capital
Mr. Mak Kwong Yiu ("Mr. Mak") (Note 1)	Beneficial owner	626,398	0.40%
Mr. Fung Pak Chuen, Alphonso ("Mr. Fung") (Note 2)	Interest of controlled corporations	15,037,203	9.53%

Note:

1. Mr. Mak exercised 626,398 share options granted by the Company at exercise price of HK\$0.447 per share on 26 August 2009.
2. Win Plus Group Limited ("Win Plus") holds 84% interest in the issued share capital of Aplus Worldwide Limited ("Aplus") and is accordingly taken to have an interest in the 14,756,400 shares of the Company in which Aplus 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 ("CLIH") and is accordingly taken to have an interest in the 280,803 shares of the Company in which CLIH is interested under the SFO. Win Plus Group Limited is accordingly taken to have an interest in the 15,037,203 shares of the Company in total under the SFO.

Mr. Fung is director of Aplus, CLIH and Win Plus.

As 50% of the issued share capital of Win Plus is held by AFS Holdings Limited ("AFS"), AFS is taken to have an interest in the 15,037,203 shares of the Company under the SFO. AFS is wholly-owned by Mr. Fung.

Save as disclosed above, as at 30 September 2009, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, 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	Number of shares	Approximate percentage of the issued share capital
Aplus Worldwide Limited	Beneficial owner	14,756,400	9.35%
CL International Holdings Limited	Beneficial owner	280,803	0.18%
Adwin Investments Limited (Note 1)	Interest of a controlled corporation	280,803	0.18%
Win Plus Group Limited (Note 2)	Interest of controlled corporations	15,037,203	9.53%
AFS Holdings Limited (Note 3)	Interest of controlled corporations	15,037,203	9.53%
Ardian Holdings Limited (Note 3)	Interest of controlled corporations	15,037,203	9.53%
Mr. Fung Pak Chuen, Alphonso (Note 4)	Interest of controlled corporations	15,037,203	9.53%
Mr. Lo, Richard ("Mr. Lo") (Note 5)	Interest of controlled corporations	15,037,203	9.53%

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital
Mrs. Fung, Pui Lan, Angela (Note 6)	Interest of spouse	15,037,203	9.53%
Mrs. Lo, Lilian (Note 7)	Interest of spouse	15,037,203	9.53%
New Brilliant Investments Limited (Note 8)	Beneficial owner	15,600,000	9.88%
Mr. Chui Bing Sun (Note 8) ("Mr. Chui")	Interest of a controlled corporation	15,600,000	9.88%
Asia Financing Limited (Note 9)	Beneficial owner	15,600,000	9.88%
Mr. Cheung Siu Wing (Note 9)	Interest of a controlled corporation	15,600,000	9.88%
Legend Wisdom Limited (Note 10)	Beneficial owner	15,000,000	9.50%
Mr. Chan Hon Ping ("Mr. Chan") (Note 10)	Interest of a controlled corporation	15,000,000	9.50%
Mrs. Chan Wan So Kuen, Kitty (Note 10)	Interest of spouse	15,000,000	9.50%
Galaxy Asset Management (H.K.) Limited	Investment Manager	12,000,000	7.60%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	12,000,000	7.60%

Notes:

1. 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 280,803 shares of the Company in which CL International Holdings Limited is interested under the SFO.
2. 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 15,037,203 shares of the Company in total under the SFO.
3. 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 15,037,203 shares of the Company in which Win Plus Group Limited is interested under the SFO.
4. 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 15,037,203 shares of the Company.
5. Mr. Lo, Richard is the sole beneficial owner of Ardian Holdings Limited, so Mr. Lo is deemed to have an interest in the 15,037,203 shares of the Company.
6. 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 15,037,203 shares of the Company under the SFO.
7. 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 15,037,203 shares of the Company under the SFO.
8. New Brilliant Investments Limited is a wholly owned by Mr. Chui
9. Asia Financing Limited is wholly-owned by Mr. Cheung Siu Wing.
10. Legend Wisdom Limited is wholly-owned by Mr. Chan. Mrs. Chan Wan So Kuen, Kitty is spouse of Mr. Chan. Under the SFO, Mrs. Chan Wan So Kuen is deemed to have an interest in 15,000,000 shares of the Company.

Long positions in the underlying shares of the Company

Name of warrant holder	Capacity	Description of derivatives	Number of warrants outstanding	Number of shares falling to be issued upon the subscription of outstanding warrants	Approximate percentage of the issued share capital
Mr. Chui	Beneficial owner	Warrants (Unlisted) <i>(Note)</i>	25,983,784	25,983,784	16.46%

Note:

On 6 September 2008, the Company entered into a service agreement with Mr. Chui (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 subscription price of HK\$0.46 per share. After the completion of open offer of 52,401,000 offer shares at HK\$0.15 per offer shares on the basis of one offer share for every two shares held in May 2009, the number of warrants outstanding was adjusted to 25,983,784 and the subscription price was adjusted to be HK\$0.37 per share.

Subsequent Event

On 27 October 2009, Mr. Chui transferred interest of 12,900,000 outstanding warrants, 12,900,000 shares falling to be issued upon the subscription of outstanding warrants and approximately 8.17% of the issued share capital of the Company, to Mr. Kwok Shun Tim.

Save as disclosed above, as at 30 September 2009 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.

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 during the period ended 30 September 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period ended 30 September 2009, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules (the "Code") throughout the period ended 30 September 2009, except for the following deviation:

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 offices with both titles chairman and chief executive officer. The general manager of business unit of the Company undertakes the day-to-day management of the Company's business. 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 caliber individuals with a substantial number thereof being independent non-executive 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.

AUDIT COMMITTEE

Pursuant to the GEM Listing Rules, 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 Group's unaudited consolidated results for the nine months ended 30 September 2009 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

By order of the Board
Computech Holdings Limited
Mak Kwong Yiu
Executive Director

Hong Kong, 9 November 2009

As at the date of this report, the executive Director is Mr Mak Kwong Yiu. The non-executive Director is Mr. Fung Pak Chuen, Alphonso. The independent non-executive Directors are Mr. Pang Wing Kin, Patrick, Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson.