



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

Annual 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 positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. 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.

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This report, for which the directors of Computech Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange for the purpose of giving information with regard to Computech Holdings Limited. 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.

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Corporate Information

EXECUTIVE DIRECTOR

Mak Kwong Yiu

NON- EXECUTIVE DIRECTOR

Fung Pak Chuen, Alphonso

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Kong Fei, Stephen
Ng Chik Sum, Jackson
Pang Wing Kin, Patrick

COMPLIANCE OFFICER

Mak Kwong Yiu *CFA, CPA*

AUTHORISED REPRESENTATIVES

Mak Kwong Yiu
Chan Wai Kuen, Karen

COMPANY SECRETARY

Chan Wai Kuen, Karen *CPA, FCCA*

AUDIT COMMITTEE

Ng Chik Sum, Jackson (*Committee Chairman*)
Chung Kong Fei, Stephen
Pang Wing Kin, Patrick
Fung Pak Chuen, Alphonso

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, 68 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

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

STOCK CODE

8081

WEBSITE ADDRESS

www.computech.com.hk

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 31 December 2009.

The Group's IT services operation recorded worse result in both revenue and gross profit compared with the previous financial year. Under the current conditions of the Group, IT services operation may not provide good prospect to the Group. Thus, the Group has considered opportunities in other industries in bid to create new growing area. Among the opportunities, the Group believes minerals would be promising in the midst of expectation of inflation and scarcity of resources.

During the year, the Group has continuously undertaken a number of corporate exercises to prepare for new business opportunities. The related professional fees have led to a substantial increase in administrative expenses incurred by the Group.

OPERATING RESULTS

For the year under review, the Group recorded a turnover of approximately HK\$32.7 million, representing a decrease of approximately 16% compared with last year. The audited net loss attributable to shareholders amounted to approximately HK\$4.97 million, compared with a net loss of approximately HK\$0.98 million in 2008. The loss per share for the year ended 31 December 2009 was HK\$0.65 cents.

MARKET OVERVIEW

Along with financial and property market's rebound and the fading-away of financial tsunami, the overall business environment has improved. Yet, the Group's existing business may not gain much benefit while corporations are still conscious of cost control and savings. The Group's multi-vendor repair and maintenance business and call center's business would not be expected to be promising in near future. Manpower outsourcing business continuously experienced difficulties in 2009. We expect this trend to continue in 2010 as demand for technical personnel weakens.

OPERATING OVERVIEW

To deal with market and business difficulties, we continued to work closely with our major business partners 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.

PROSPECTS AND APPRECIATION

In consideration of the Group's development and current opportunities, the Group has engaged in memorandum of understanding in relation to molybdenum ore processing, molybdenum concentrate production, copper and iron ore processing and copper and iron concentrate production in bid to enhance the performance of the Group and increase the returns for shareholders.

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 2009.

Mak Kwong Yiu
Executive Director

Hong Kong, 4th March 2010

Management Discussion and Analysis

BUSINESS REVIEW

Computech reported a decrease in turnover of 16% for the year of 2009, which was mainly due to keen market competition in warranty service outsource and termination of call center service with our major customer during the year.

FINANCIAL REVIEW

For the year under review, the Group's turnover decreased by approximately HK\$6,026,000, representing a decrease of approximately 16% compared with last year. The audited net loss attributable to shareholders amounted to approximately HK\$4,974,000. The loss per share for the year was HK\$0.65 cents.

Administrative, selling and distribution expenses amounted to approximately HK\$11,526,000 for the year ended 31st December, 2009, representing an approximately 5% increase compared with last year, which was resulted from numbers of corporate exercise during the year. Exclusion of these professional fees, the operating expenses were below last year due to exercise of vigilant cost control in the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2009, the total assets of the Group were approximately HK\$16,352,000 (2008: HK\$13,409,000), including cash and bank deposits of approximately HK\$8,362,000 (2008: HK\$3,063,000) and debtors, deposits and prepayments of approximately HK\$1,671,000 (2008: HK\$2,010,000). The total current liabilities of the Group were about HK\$4,936,000 (2008: HK\$4,585,000). The Group's current ratio, current assets over its current liabilities, was approximately 3.3 times (2008: 2.8 times).

At the end of financial year 2009, the Group did not have any loans due to banks or financial institutions. The total non-current liabilities of the Group was nil (2008: nil), where including bank loans and long-term borrowings. As a result, the group had no gearing, calculated on the basis of net debt to shareholders funds, as at 31st December, 2009.

CAPITAL STRUCTURE

There was no change on the Group's capital structure for the year ended 31st December, 2009.

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 risks were 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 of 2009, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies of the Group.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2009, there was no charge on the Group's assets (2008: nil).

CAPITAL COMMITMENTS

Save as disclosed, the Group did not have undertaken any material investments at 31 December 2009 (2008: nil).

CONTINGENT LIABILITIES

Save as disclosed, the Group did not have any material contingent liabilities at 31st December, 2009, (2008: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2009, the Group had 107 employees (2008: 126). 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 and the statutory central pension schemes to its employees in the PRC.

Directors and Senior Management Profile

EXECUTIVE DIRECTOR

MAK Kwong Yiu, aged 35, has been appointed as an Executive Director of the Company since 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 Across Asia Limited, a company whose shares are listed on the Growth Enterprise Market operated by the Stock Exchange of Hong Kong Limited.

NON-EXECUTIVE DIRECTOR

FUNG Pak Chuen, Alphonso, aged 59, is a Non-Executive director of the Company. He was appointed as Non-Executive Director of the Company in March 2000 and re-designated as Executive Director of the Company in February, 2004. Mr. Fung was further re-designated as Non-Executive director of the Company on 17th September 2009. He is a co-founder of the CL Group, a group of IT companies operating in the PRC, Hong Kong and South-East Asia, since 1979. Prior to that, 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. He has substantial experience in business planning and development in the IT industry. Mr. Fung is a non-executive director of Oncard International Limited, a company listed on the Australian Securities Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHUNG Kong Fei, Stephen, aged 53, 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 of 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.

Directors and Senior Management Profile

NG Chik Sum, Jackson, aged 49, 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.

PANG Wing Kin, Patrick, aged 54, is a qualified accountant and has over 26 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed as independent non-executive Director of the Company on 26 March 2009. He 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. Mr. Pang is also an independent non-executive director of Samson Paper Holdings Limited, a company whose shares are listed on the Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

TAN Kong Chi, Joseph, aged 47, 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 17 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 44, is the financial controller and company secretary 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 present their annual report together with the audited consolidated financial statements for the year ended 31st December, 2009.

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 Hong Kong and PRC.

RESULTS

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

An analysis of the Group's performance for the year by business and geographical segments is set out in note 24 to the consolidated financial statements.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the five years ended 31st December, 2009 and the assets and liabilities of the Group as at 31st December, 2005, 2006, 2007, 2008 and 2009 are set out on page 66.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital are set out in note 19(a) to the consolidated financial statements.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 27(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 52 and note 20 to the consolidated financial statements respectively.

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 (resigned on 17th September, 2009)

Mak Kwong Yiu, Mark

Non-executive director:–

Fung Pak Chuen, Alphonso (appointed on 17th September, 2009)

Independent non-executive directors:–

Chung Kong Fei, Stephen

Ng Chik Sum, Jackson

Lee Sai Yeung (resigned on 26th March, 2009)

Pang Wing Kin, Patrick (appointed on 26th March, 2009)

In accordance with Articles 87(1) and (2) of the Company's Articles of Association, Mr. Ng Chik Sum, Jackson shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to the articles of association of the Company, Mr. Fung Pak Chuen, Alphonso ("Mr. Fung") being appointed by the Board as a non executive director of the Company on 17th September 2009, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Mr. Fung, the former chairman and executive director, entered into a service contract with the Company for an initial term of three years commencing from 1st September, 2004 and continued thereafter on an annual basis until terminated by either party. The service contract between Mr. Fung and the Company was terminated with effect from 17th September 2009.

Directors' Report

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.

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.

CONFIRMATION OF INDEPENDENCE

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.

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, 2009:–

On 14th November, 2008, the Company renewed the agreement with CL International Holdings Limited ("CLIH") for a term of three years commencing from 1st January, 2009, 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 one of shareholders of the Company and CLIH is therefore a connected person of the Company according to the GEM Listing Rules.

The non-executive director, Mr. Fung was interested in the above transactions by virtue of his interest in CLIH. Details of the interests were disclosed in the section headed "Directors' interests in securities" below.

Related party transactions as disclosed in note 22 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.

Directors' Report

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 procedures to the Board of Directors that the continuing connected transactions have received the approval of the Board. Nothing came to their attention that the continuing connected transactions (a) were not in accordance with the pricing policies of the Company; (b) have not been entered into in accordance with the Agreement governing the transactions; and (c) have exceeded the cap disclosed in the circular of the Company dated 8th December, 2008.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 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 in which such interests were held	Number of shares	Approximate percentage of nominal value of share capital
Mr. Mak Kwong Yiu	Beneficial owner	3,131,990	0.40%
Mr. Fung Pak Chuen, Alphonso	Interest of controlled	75,186,015	9.53%

Notes:-

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 73,782,000 shares of the Company in which Aplus is interested under the SFO. Win Plus also holds approximately 53% directly and indirectly in the issued share capital of CLIH and is accordingly taken to have an interest in the 1,404,015 shares of the Company in which CLIH is interested under the SFO. Win Plus is accordingly taken to have an interest in the 75,186,015 shares of the Company in total under the SFO.

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

As 50% of the issued share capital of Win Plus is held by AFS Holdings Limited ("AFS Holdings"), AFS Holdings is taken to have an interest in the 75,186,015 shares of the Company under the SFO. AFS Holdings 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.

Movements of share options granted by the Company are set out as below:–

Name of director	Exercise price (HK\$)	Outstanding at 1st January 2009	Granted during the year	Adjustment during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2009
Mr. Mak Kwong Yiu	0.447	500,000	–	126,398	(626,398)	–	–

Notes:

1. Mr. Mak Kwong Yiu was granted 500,000 share option of the Company with exercise price at HK\$0.56 per share by the Company on 5th September 2008.
2. Adjustment was made to the number of share options held by the director as the completion of Open offer in June 2009, the number of share option was adjusted to 626,398 share options and the exercise price was adjusted to HK\$0.447 per share.
3. Mr. Mak exercised 626,398 share options granted by the Company at exercise price of HK\$0.447 per share on 26th August, 2009.
4. There is no outstanding share option granted by the Company at 31st December 2009.

Save as disclosed above, as at 31st December, 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 of Hong Kong.

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 27(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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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 and underlying shares of the Company

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of the issued share capital	Note
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	–	69,157,143	69,157,143	8.76%	1
	Interest of a controlled corporation	78,000,000	–	78,000,000	9.88%	2
				<u>147,157,143</u>	<u>18.64%</u>	
New Brilliant Investments Limited	Beneficial owner	78,000,000	–	78,000,000	9.88%	
Asia Financing Limited	Beneficial owner	78,000,000	–	78,000,000	9.88%	
Mr. Cheung Siu Wing	Interest of a controlled corporation	78,000,000	–	78,000,000	9.88%	3
Aplus Worldwide Limited	Beneficial owner	73,782,000	–	73,782,000	9.35%	
CLIH	Beneficial owner	1,404,015	–	1,404,015	0.18%	
Adwin Investments Limited	Interest of a controlled corporation	1,404,015	–	1,404,015	0.18%	4
Win Plus Group Limited	Interest of controlled corporations	75,186,015	–	75,186,015	9.53%	5
AFS Holdings Limited	Interest of controlled corporations	75,186,015	–	75,186,015	9.53%	6
Ardian Holdings Limited	Interest of controlled corporations	75,186,015	–	75,186,015	9.53%	6

Directors' Report

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of the issued share capital	Note
Mr. Fung Pak Chuen, Alphonso	Interest of controlled corporations	75,186,015	–	75,186,015	9.53%	7
Mr. Lo, Richard ("Mr. Lo")	Interest of controlled corporations	75,186,015	–	75,186,015	9.53%	8
Mrs. Fung, Pui Lan, Angela	Interest of spouse	75,186,015	–	75,186,015	9.53%	9
Mrs. Lo, Lilian	Interest of spouse	75,186,015	–	75,186,015	9.53%	10
Legend Wisdom Limited	Beneficial owner	75,000,000	–	75,000,000	9.50%	
Mr. Chan Hon Ping ("Mr. Chan")	Interest of a controlled corporation	75,000,000	–	75,000,000	9.50%	11
Mrs. Chan Wan So Kuen, Kitty	Interest of spouse	75,000,000	–	75,000,000	9.50%	11
Mr. Kowk Shun Tim	Beneficial owner	–	68,185,714	68,185,714	8.64%	
Mrs. Kowk Yip Nga Wan	Interest of spouse	–	68,185,714	68,185,714	8.64%	12
Galaxy Asset Management (H.K.) Limited	Investment Manager	60,000,000	–	60,000,000	7.60%	
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	60,000,000	–	60,000,000	7.60%	

Notes:–

- On 6th September, 2008, the Company entered into a service agreement with Mr. Chui ("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 unlisted warrants ("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 subscription price of HK\$0.46 per share.

Pursuant to terms of instrument of the Warrants, the number of outstanding warrants and its subscription price were adjusted after completion of open offer in June 2009 and subdivision of share of the Company in December 2009. The details of adjustment of outstanding number of warrants and its subscription price are set out in note 27(b) to the consolidated financial statements.

- New Brilliant Investments Limited is wholly-owned by Mr. Chui.

3. Asia Financing Limited is wholly-owned by Mr. Cheung Siu Wing.
4. Adwin Investments Limited holds approximately 67.86% interest in the issued share capital of CLIH and is accordingly taken to have an interest in the 1,404,015 shares of the Company in which CLIH is interested under the SFO.
5. Win Plus holds 84% interest in the issued share capital of Aplus 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 75,186,015 shares of the Company in total under the SFO.
6. Win Plus is owned as to 50% by AFS Holdings and 50% by Ardian Holdings Limited. Accordingly, AFS Holdings and Ardian Holdings Limited are each taken to have an interest in the 75,186,015 shares of the Company in which Win Plus Group Limited is interested under the SFO.
7. Mr. Fung Pak Chuen, Alphonso is the sole beneficial owner of AFS Holdings, so Mr. Fung is deemed to have an interest in the 75,186,015 shares of the Company.
8. Mr. Lo, Richard is the sole beneficial owner of Ardian Holdings Limited, so Mr. Lo is deemed to have an interest in the 75,186,015 shares of the Company.
9. AFS Holdings 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 75,186,015 shares of the Company under the SFO.
10. 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 75,186,015 shares of the Company under the SFO.
11. Legend Wisdom Limited is wholly-owned by Mr. Chan. Mrs. Chan Wan So Kuen, Kitty ("Mrs. Chan") is spouse of Mr. Chan. Under the SFO, Mrs. Chan is deemed to have an interest in 75,000,000 shares of the Company.
12. Mrs. Kwok Yip Nga Wan ("Mrs. Kwok") is spouse of Mr. Kwok Shun Tim. Under the SFO, Mrs. Kwok is deemed to have an interest in 68,185,714 underlying shares of the Company.

Save as disclosed above, as at 31st December, 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 interest 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 94% of the total sales for the year and sales to the largest customer included therein amounted to 77%. Purchases from the Group's five largest suppliers accounted for 52% of the total purchases for the year and purchases from the largest supplier included therein amounted to 30%.

Save for one of the largest customers and one of the largest suppliers, being the subsidiaries of CLIH, as more fully disclosed in note 22 to the consolidated financial statements, in which the non-executive director, Mr. Fung 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.

Directors' Report

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, 2009.

COMPETING INTERESTS

As at 31st December, 2009, 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 the Directors as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules throughout the financial year ended 31st December 2009.

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

Mak Kwong Yiu
Executive Director

Hong Kong, 4th March 2010

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 (“Code”) provisions set out in Appendix 15 of the GEM Listing Rules 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, 2009, 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, 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.

BOARD OF DIRECTORS

The board of directors (“Board”) of the Company comprises of five directors, including one executive director, one non-executive director and three independent non-executive directors. Details of 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.

Corporate Governance Report

The Board meets regularly and held four full Board meetings in 2009 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, 2009:

Name of Directors	Number of meetings Attended/Total
Executive Director	
Mr. Mak Kwong Yiu	4/4
Non-executive Director	
Mr. Fung Pak Chuen, Alphonso	4/4
Independent Non-Executive Directors	
Mr. Chung Kong Fei, Stephen	4/4
Mr. Ng Chik Sum, Jackson	2/4
Mr. Pang Wing Kin, Patrick	4/4

INDEPENDENCE

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 the title of "chief executive officer" and "chairman". The general manager of each business unit of the Company undertakes the day-to-day management of the Company's business, whereas the executive director is responsible for 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 non-executive directors.

NON-EXECUTIVE DIRECTOR

The term of the office of the non-executive director is no specified length of service period and continuous unless terminated by either party giving to the other not less than one month notice in writing. The non-executive director is subject to the provisions of retirement and rotation of Directors under the articles of association of the Company.

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.

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, 2009, the fee payable to the Group's external auditor, PKF, for the audit service amounted to approximately HK\$222,000 and fee for non-audit related activities amounted to approximately HK\$77,500.

Corporate Governance Report

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 four non-executive Directors, namely Mr. Ng Chik Sum, Jackson, Mr. Pang Wing Kin, Patrick, Mr. Chung Kong Fei, Stephen and Mr. Fung Pak Chuen, Alphonso, at the year ended 31st December, 2009. The Audit Committee has held four meetings for the year of 2009 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, 2009:

Name of Audit Committee member	Number of meetings Attended/Total
Mr. Ng Chik Sum, Jackson (<i>Chairman</i>)	2/4
Mr. Chung Kong Fei, Stephen	4/4
Mr. Pang Wing Kin, Patrick	4/4
Mr. Fung Pak Chuen, Alphonso (appointed on 17th September 2009)	2/4

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.

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;

Corporate Governance Report

- 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

PKF

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 65, which comprise the consolidated and company statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2009 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, 4th March 2010

Consolidated Statement of Comprehensive Income

For the Year Ended 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
Turnover	4	32,732	38,758
Cost of sales		(26,596)	(30,197)
Gross profit		6,136	8,561
Other income		420	322
Selling and distribution expenses		(100)	(47)
Administrative expenses		(11,426)	(10,920)
Operating loss		(4,970)	(2,084)
Share of net losses of an associate		(1)	(1)
Loss before income tax	5	(4,971)	(2,085)
Income tax (expense)/credit	6	(3)	1
Loss from continuing operations	7	(4,974)	(2,084)
Discontinued operations			
Profit from discontinued operations	26	–	1,108
Loss for the year		(4,974)	(976)
Other comprehensive loss	8	–	(196)
Total comprehensive loss for the year		(4,974)	(1,172)
Attributable to:–			
Owners of the Company		(4,974)	(1,172)
Basic (loss)/earnings per share (HK cents)	9		
From continuing and discontinued operations (HK cents)		(0.65)	(0.16)
From continuing operations (HK cents)		(0.65)	(0.34)
From discontinued operations (HK cents)		–	0.18

Consolidated Statement of Financial Position

At 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment	12	188	417
Interests in an associate	14	4	4
		<u>192</u>	<u>421</u>
CURRENT ASSETS			
Inventories	15	1,771	1,824
Debtors, deposits and prepayments	16	1,671	2,010
Amount due from a shareholder	17(a)	–	23
Amounts due from related companies	17(b)	4,302	6,045
Income tax recoverable		54	23
Cash and bank balances		8,362	3,063
		<u>16,160</u>	<u>12,988</u>
DEDUCT:			
CURRENT LIABILITIES			
Creditors, accruals and deposits received	18	4,932	4,585
Amount due to a related company	17(b)	4	–
		<u>4,936</u>	<u>4,585</u>
NET CURRENT ASSETS		<u>11,224</u>	<u>8,403</u>
NET ASSETS		<u>11,416</u>	<u>8,824</u>
REPRESENTING:–			
EQUITY			
Share Capital	19(a)	7,891	5,240
Share Premium and Reserves	20	3,525	3,584
SHAREHOLDERS' FUNDS		<u>11,416</u>	<u>8,824</u>

Approved and authorised for issue by the Board of Directors on 4th March 2010.

Mak Kwong Yiu
Director

Fung Pak Chuen, Alphonso
Director

Statement of Financial Position

At 31st December, 2009

	Note	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSET			
Interests in subsidiaries	13	<u>4,742</u>	<u>4,727</u>
CURRENT ASSETS			
Amount due from a fellow subsidiary		–	25
Deposits and prepayments		178	127
Cash at bank		<u>7,302</u>	<u>1,790</u>
		<u>7,480</u>	<u>1,942</u>
DEDUCT:			
CURRENT LIABILITIES			
Accruals		1,874	395
Amounts due to subsidiaries	13(c)	<u>3,421</u>	<u>4,041</u>
		<u>5,295</u>	<u>4,436</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,185</u>	<u>(2,494)</u>
NET ASSETS		<u>6,927</u>	<u>2,233</u>
REPRESENTING:–			
EQUITY			
Share Capital	19(a)	7,891	5,240
Share Premium and Reserves	20	<u>(964)</u>	<u>(3,007)</u>
SHAREHOLDERS' FUNDS		<u>6,927</u>	<u>2,233</u>

Approved and authorised for issue by the Board of Directors on 4th March 2010.

Mak Kwong Yiu
Director

Fung Pak Chuen, Alphonso
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2009

	Attributable to shareholders of the Company								
	Share capital	Share premium	Translation reserve	Share options reserve	Warrants reserve	(Accumulated losses)/ retained profits	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2008	5,240	3,465	196	-	-	42	8,943	15	8,958
Share-based payments	-	-	-	28	1,025	-	1,053	-	1,053
Disposal of subsidiaries	-	-	-	-	-	-	-	(15)	(15)
Total comprehensive loss for the year	-	-	(196)	-	-	(976)	(1,172)	-	(1,172)
At 31.12.2008 and 1.1.2009	5,240	3,465	-	28	1,025	(934)	8,824	-	8,824
Issue of shares – Note 19(a)(i)	2,651	4,915	-	-	-	-	7,566	-	7,566
Total comprehensive loss for the year	-	-	-	-	-	(4,974)	(4,974)	-	(4,974)
At 31.12.2009	7,891	8,380	-	28	1,025	(5,908)	11,416	-	11,416

Consolidated Statement of Cash Flows

For the Year Ended 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss		
from continuing operations	(4,971)	(2,085)
from discontinued operations	-	1,281
	(4,971)	(804)
Adjustments for:-		
Interest income	(1)	(10)
Depreciation	269	453
Share-based payments	-	1,053
Impairment loss on trade debtors	48	-
Loss on disposal of plant and equipment	5	4
Gain on disposal of discontinued operation	-	(103)
Operating (loss)/profit before working capital changes	(4,650)	593
Decrease in inventories	53	808
Decrease in debtors, deposits and prepayments	291	2,557
Decrease/(increase) in amounts due from related companies	1,743	(7,140)
Increase in creditors, accruals and deposits received	347	3,816
Increase in amount due to a related company	4	-
Cash (used in)/from operations	(2,212)	634
Interest received	1	10
Income tax paid	(34)	(201)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(2,245)	443
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire plant and equipment	(45)	(289)
Net cash generated from disposal of subsidiaries	-	2,080
Decrease in amount due from associates	-	(1)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(45)	1,790
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans from directors	-	(2,256)
Decrease in amount due to a shareholder	-	(15)
Issue of shares for cash	8,139	-
Share issuing expenses	(573)	-
Decrease/(increase) in amount due from a shareholder	23	(23)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	7,589	(2,294)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,299	(61)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	3,063	3,124
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	8,362	3,063
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,362	3,063

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

1. GENERAL INFORMATION

CompuTech Holdings Limited is a limited liability company incorporated in the Cayman Islands. The addresses of its registered office and principal place of business are disclosed in the “Corporate Information” section of the annual report.

The Company and its subsidiaries are principally engaged in provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products in Hong Kong and PRC.

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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as “Hong Kong Financial Reporting Standards”).

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:–

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
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 18	Transfers of Assets from Customers
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives
Amendments to HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs 2008	Other than amendments to HKFRS 1 and HKFRS 5

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

2. BASIS OF PREPARATION (Continued)

(b) Initial application of Hong Kong Financial Reporting Standards (Continued)

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 for the following:—

- (i) HKAS 1 (Revised) requires the presentation of a new “statement of comprehensive income” and disclosure of the components of “other comprehensive income”, including but not limited to “reclassification adjustments”. Comparative information is reclassified to conform to the new presentation.
- (ii) HKFRS 8 sets out new requirements on how operating segments are determined and how segment information are measured and disclosed. HKFRS 8 also requires the disclosure of entity-wide information. The adoption of new requirement of HKFRS 8 does not have any impact on the comparative segment information.

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

The following Hong Kong Financial Reporting Standards in issue as at 31st December, 2009 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, 2009:—

HKAS 24 (Revised)	Related Party Disclosures
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 9	Financial Instruments
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 1	Additional Exemptions for First-time Adopters
Amendments to HKFRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2008	Amendments to HKFRS 1 and HKFRS 5
Improvements to HKFRSs 2009	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HKFRS 2, HKFRS 5, HKFRS 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

The Group is required to initially apply these Hong Kong Financial Reporting Standards in its annual financial statements beginning on 1st January, 2010, except that the Group is required to initially apply HKAS 24 (Revised), HK(IFRIC)-Int 19, amendments to HKAS 32 and amendments to HK(IFRIC)-Int 14 in its annual financial statements beginning on 1st January, 2011, and to initially apply HKFRS 9 in its annual financial statements beginning on 1st January, 2013.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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, 2009. The results of subsidiaries during the year are dealt with in the consolidated statement of comprehensive income from the dates of acquisition. All significant intra-group transactions and balances have been eliminated on consolidation.

(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, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products in 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 statement of comprehensive income in the period in which they are incurred.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Plant and equipment (Continued)

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 the end of each reporting period.

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 statement of comprehensive income.

(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 statement of financial position, 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 statement of comprehensive income includes the Group's share of the post-acquisition results of the associates and the consolidated statement of financial position 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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(i) Payables

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

(j) 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 statement of comprehensive income as incurred.

(k) Impairment of assets

At the end of each reporting period, 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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes statement of comprehensive income 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 end of the reporting period.

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 the end of each reporting period 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.

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 end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

(m) 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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

(o) 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.

(p) 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 statement of comprehensive income.

(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 statement of financial position presented are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 the significant risks and rewards of ownership of goods have been transferred to the buyer;
- (ii) whether there is an indication of impairment of assets;
- (iii) whether the discount rates used to calculate the recoverable amount of assets are appropriate for the purpose of impairment review; and
- (iv) the expected manner of recovery of the carrying amount of assets.

(r) Share-based payments

Share options and warrants 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 and warrants 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).

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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 major revenue is as follows:–

	2009	2008
	HK\$'000	HK\$'000
Sales	173	686
Service income	32,559	38,072
Turnover	32,732	38,758
Interest income	1	6
Total revenue	32,733	38,764

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's turnover. In 2009 revenue from service income from this customer amounted to approximately HK\$25,756,000 (2008 : HK\$31,118,000) and arose in Hong Kong.

Further details regarding the Group's principal activities are disclosed in note 24 to the consolidated financial statements.

5. LOSS BEFORE INCOME TAX

	2009	2008
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging/(crediting):–		
Cost of inventories expensed	2,483	3,868
Minimum lease payments paid under operating leases	1,374	1,748
Auditor's remuneration	222	226
Depreciation	269	375
Directors' remuneration – Note 11(a)	1,509	1,828
Other staff salaries and benefits	18,751	17,097
Retirement scheme contributions	892	652
Exchange loss/(gain)	–	(1)
Loss on disposal of plant and equipment	5	4
Impairment loss on trade debtors	48	–

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

6. INCOME TAX EXPENSE/(CREDIT)

	2009 HK\$'000	2008 HK\$'000
Current income tax – Hong Kong Profits Tax		
– Provision for the year	1	5
– Under/(over)-provision in respect of prior year	2	(6)
	3	(1)

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year.

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

	2009 HK\$'000	2008 HK\$'000
Loss before income tax	(4,971)	(2,085)
Tax effect at Hong Kong profits tax rate of 16.5%	(820)	(344)
Tax effect of income that is not taxable	(4)	(991)
Tax effect of expenses that are not deductible	149	988
Tax effect of unrecognised accelerated/ (decelerated) depreciation allowances	22	(24)
Tax effect of tax loss not recognised	654	383
Utilisation of previously recognised tax losses	–	(7)
Under/(over)-provision in respect of prior year	2	(6)
Income tax expense/(credit)	3	(1)

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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

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

	2009 HK\$'000	2008 HK\$'000
Deductible temporary difference		
Unutilised tax losses (Note 6(b)(i))	5,931	1,965
Taxable temporary difference		
Accelerated depreciation allowances (Note 6(b)(ii))	(103)	(236)
Net deductible temporary difference	5,828	1,729

- (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 Group amounted to HK\$5,931,000 (2008: HK\$1,965,000) can be carried forward indefinitely.
- (ii) Taxable temporary difference has not been recognised in these financial statements owing to immateriality.

7. LOSS FOR THE YEAR

The consolidated loss attributable to shareholders of the Company includes a loss of approximately HK\$2,872,000 (2008: approximately HK\$1,710,000) which has been dealt with in the financial statements of the Company.

8. OTHER COMPREHENSIVE LOSS

	2009 HK\$'000	2008 HK\$'000
Release of translation reserve upon disposal of a PRC subsidiary	–	(196)

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

9. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

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

	2009	2008
	HK\$'000	HK\$'000
Loss attributable to shareholders of the Company for the year	<u>(4,974)</u>	<u>(976)</u>
Attributable to:		
Continuing operations	<u>(4,974)</u>	<u>(2,084)</u>
Discontinued operations	<u>–</u>	<u>1,108</u>
		(Restated)
Shares		
Weighted average number of ordinary shares in issue	<u>765,590,401</u>	<u>613,091,700</u>

As a result of the completion of the Open Offer of the Company in June 2009 on the basis of one offer share for every two shares held at subscription price of HK\$0.15 per offer share. Also, the Company has an increase in number of issued and unissued shares by way of subdivision of share in December 2009. Accordingly, the comparative figures was re-calculated based on the adjusted weighted average number of issued shares of 613,091,700 shares to reflect the effect to the loss per share for the year ended 31st December, 2008.

Diluted earnings per share is not presented as the potential ordinary shares in respect of outstanding warrants are anti-dilutive.

10. 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 (“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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

Note	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Share- based payments HK\$'000	Total HK\$'000
2009					
Executive director:–					
Mak Kwong Yiu	120	–	–	–	120
Non-executive director:–					
Fung Pak Chuen, Alphonso (i)	35	1,117	56	–	1,208
Independent non-executive directors:–					
Pang Wing Kin, Patrick	46	–	–	–	46
Lee Sai Yeung	15	–	–	–	15
Chung Kong Fei, Stephen	60	–	–	–	60
Ng Chik Sum, Jackson	60	–	–	–	60
	181	–	–	–	181
	336	1,117	56	–	1,509
2008					
Executive directors:–					
Fung Pak Chuen, Alphonso	–	1,495	75	–	1,570
Mak Kwong Yiu	50	–	–	28	78
Lo, Richard	–	–	–	–	–
	50	1,495	75	28	1,648
Independent non-executive directors					
Lee Sai Yeung	60	–	–	–	60
Chung Kong Fei, Stephen	60	–	–	–	60
Ng Chik Sum, Jackson	60	–	–	–	60
	180	–	–	–	180
	230	1,495	75	28	1,828

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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

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

- (i) Mr. Fung Pak Chuen, Alphonso was re-designated from chairman and executive director of the Company to non-executive director of the Company on 17th September, 2009.
- (ii) 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.
- (iii) 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:–

	2009	2008
	HK\$'000	HK\$'000
Salaries and allowances	1,944	1,730
Retirement scheme contributions	88	77
	2,032	1,807

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, 2009

12. PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:–				
At 1.1.2008	1,767	35	229	2,031
Additions	260	–	29	289
Disposals	(13)	–	–	(13)
Disposed in 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)
Disposed in disposal 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>
Cost:–				
At 1.1.2009	1,558	14	197	1,769
Additions	45	–	–	45
Disposals	(67)	–	(106)	(173)
At 31.12.2009	<u>1,536</u>	<u>14</u>	<u>91</u>	<u>1,641</u>
Accumulated depreciation:–				
At 1.1.2009	1,158	10	184	1,352
Charge for the year	261	2	6	269
Written back on disposals	(67)	–	(101)	(168)
At 31.12.2009	<u>1,352</u>	<u>12</u>	<u>89</u>	<u>1,453</u>
Net book value:–				
At 31.12.2009	<u>184</u>	<u>2</u>	<u>2</u>	<u>188</u>

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

13. INTERESTS IN SUBSIDIARIES

	2009	2008
	HK\$'000	HK\$'000
Unlisted shares, at cost	100	100
Less: Provision for impairment loss	(100)	(100)
	–	–
Amounts due from subsidiaries – Note 13(b)	4,742	4,727
	4,742	4,727

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

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued share	Attributable equity interest held by the Company		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
Computech Solutions Services Limited (formerly known as 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
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

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

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

13. INTERESTS IN SUBSIDIARIES (Continued)

- (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 values.

14. INTERESTS IN ASSOCIATES

	2009 HK\$'000	2008 HK\$'000
Share of net assets	–	–
Amount due from an associate – Note 14(b)	4	4
	4	4

- (a) The Group's interests in associates is as follows:–

Name	Place of incorporation	Particulars of issued shares	Assets	Liabilities	Revenue	Loss	Interest held
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2009							
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	5	13	–	(1)	50
2008							
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	5	13	–	(1)	50

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

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

15. INVENTORIES

	2009 HK\$'000	2008 HK\$'000
Spare parts	1,771	1,824

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 HK\$'000	2008 HK\$'000
Trade debtors	1,358	1,746
Other debtors, deposits and prepayments	313	264
	1,671	2,010

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:-

	2009 HK\$'000	2008 HK\$'000
Within 3 months	1,195	1,635
4 – 6 months	–	96
Over 6 months	163	15
	1,358	1,746

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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

- (a) The amount due from 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.

	2009 HK\$'000	2008 HK\$'000
1 – 30 days	4,302	2,382
30 – 60 days	–	2,465
	4,302	4,847

The amount due to a related company is interest-free, unsecured and repayable on demand. The directors consider the carrying amount approximate its fair value.

18. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

	2009 HK\$'000	2008 HK\$'000
Trade creditors	1,619	2,500
Other creditors and accruals	3,163	1,820
Deferred revenue	150	115
Deposits received	–	150
	4,932	4,585

The following is an aging analysis of trade creditors:–

	2009 HK\$'000	2008 HK\$'000
Within 3 months	1,619	2,247
4 – 6 months	–	89
7 – 12 months	–	1
Over 1 year but within 2 years	–	163
	1,619	2,500

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

19. SHARE CAPITAL AND RESERVE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Share capital

	Note	Number of shares	HK\$'000
Authorised:–			
Ordinary shares of HK\$0.05 each at 1.1.2009		200,000,000	10,000
Subdivision of shares	(ii)	800,000,000	–
Increase in authorised share capital		<u>9,000,000,000</u>	<u>90,000</u>
Ordinary shares of HK\$0.01 each at 31.12.2009		<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:–			
Ordinary shares of HK\$0.05 each at 1.1.2009		104,802,000	5,240
Open Offer	(i)	52,401,000	2,620
Exercise of share options	27(a)	626,398	31
Subdivision of shares	(ii)	<u>631,317,592</u>	<u>–</u>
Ordinary shares of HK\$0.01 each at 31.12.2009		<u>789,146,990</u>	<u>7,891</u>

Notes:–

- (i) The Company raised a gross proceeds of approximately HK\$7.9 million by way of a Open Offer of 52,401,000 offer shares at HK\$0.15 per offer share on the basis of one offer share for every two shares held on 8th May, 2009. All offer shares issued rank pari passu with the then existing shares in all respects.

The net proceeds amounted to approximately HK\$7.3 million from the Open Offer was planned as general working capital of the Group.

- (ii) Pursuant to the ordinary resolution of the Company passed on 3rd December, 2009:–
- each of the issued and unissued shares of HK\$0.05 each in the share capital of the Company was subdivided into 5 subdivided shares of HK\$0.01 each (“Subdivided Shares”), resulting in the issued and unissued share capital of the Company being divided into 1,000,000,000 Subdivided Shares; and
 - the authorised share capital of the Company was increased from HK\$10,000,000 divided into 1,000,000,000 Subdivided Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Subdivided Shares of HK\$0.01 each by the creation of 9,000,000,000 new Subdivided Shares of HK\$0.01 each.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

19. SHARE CAPITAL AND RESERVE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debt and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less cash and cash equivalents. Equity capital comprises all components of equity (i.e. share capital, accumulated losses and reserves). The debt-to-equity capital ratios at 31st December, 2009 and at 31st December, 2008 were as follows:-

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Total debt	4,936	4,585	5,295	4,436
Less: Cash and cash equivalents	(8,362)	(3,063)	(7,302)	(1,790)
Net debt	(3,426)	1,522	(2,007)	2,646
Total equity	11,416	8,824	6,927	2,233
Debt-to-equity capital ratio	N/A	17%	N/A	118%

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

20. SHARE PREMIUM AND RESERVES

The Group	Share premium	Translation reserve	Share Options reserve	Warrants reserve	(Accumulated losses)/ retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 and 1.1.2009	3,465	-	28	1,025	(934)	3,584
Issue of shares	4,915	-	-	-	-	4,915
Loss for the year	-	-	-	-	(4,974)	(4,974)
At 31.12.2009	8,380	-	28	1,025	(5,908)	3,525

The Company	Share premium	Share Options reserve	Warrants reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 and 1.1.2009	3,465	28	1,025	(7,525)	(3,007)
Issue of shares	4,915	-	-	-	4,915
Loss for the year	-	-	-	(2,872)	(2,872)
At 31.12.2009	8,380	28	1,025	(10,397)	(964)

(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 27(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 27(b).

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

21. OPERATING LEASES COMMITMENTS

As at 31st December, 2009, the Group had outstanding commitments under non-cancellable operating leases for which the aggregate minimum lease payments fall due as follows:–

	2009	2008
	HK\$'000	HK\$'000
Within one year	1,800	552
In the second to fifth years inclusive	2,400	–
	4,200	552

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.

22. RELATED PARTY TRANSACTIONS

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

	Note	2009	2008
		HK\$'000	HK\$'000
Provision of IT services to CLIH Group	(i)	25,830	31,659
Purchases from CLIH Group	(i)	1,619	6,942

The above transactions were entered into on the following basis:–

(i) amounts with reference to market price of goods sold or services rendered.

(b) **Key management compensation**

	2009	2008
	HK\$'000	HK\$'000
Salaries, allowances and other benefits in kind	3,061	3,253
Retirement scheme contributions	144	152
	3,205	3,405

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

23. 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 risk, when it is considered significant, by entering into appropriate currency forward contracts.

Carrying amounts of financial assets and financial liabilities as at 31st December, 2009 exposed to currency risk were as follows:–

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Financial assets denominated in foreign currencies:–				
Cash and bank balances	19	4	8	2
Financial liabilities denominated in foreign currencies:–				
Creditors, accruals and deposits received	(36)	(1,004)	–	–
Net financial (liabilities)/assets exposed to currency risk	(17)	(1,000)	8	2

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

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

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
United States dollars	(2)	4	8	2
Renminbi	(15)	(1,004)	–	–
	(17)	(1,000)	8	2

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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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

(a) Currency risk (Continued)

Should Hong Kong dollars at 31st December, 2009 devalue by 10% against Renminbi, the carrying amount of the net financial liabilities exposed to currency risk at 31st December, 2009 determined in accordance with HKAS 21 "The effects of changes in Foreign Exchange Rate" would have increased by HK\$1,500 (2008: HK\$100,400); and hence the equity at 31st December, 2009 would have decreased by HK\$1,500 (2008: HK\$100,400); and the loss for the year ended 31st December, 2009 would have increased by HK\$1,500 (2008: HK\$100,400).

(b) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group 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.

Carrying amounts of financial assets as at 31st December, 2009, which represented the amounts of maximum exposure to credit risk, were as follows:—

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Amount due from an associate	4	4	—	—
Debtors and deposits	1,426	2,010	—	127
Amount due from a shareholder	—	23	—	—
Amount due from related companies	4,302	6,045	—	—
Cash and bank balances	8,362	3,063	7,302	1,790
	14,094	11,145	7,302	1,917

Except for trade debtors with carrying amount of HK\$163,000 (2008: HK\$111,000) which were past due, the directors are satisfied with the credit quality of financial assets.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

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

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk 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.

Maturities of the financial liabilities of the Group and the Company as at 31st December, 2009 were as follows:–

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Total amounts of contractual undiscounted obligations:–				
Creditors and accruals	4,782	4,585	1,874	395
Amount due to a related company	4	–	–	–
Amounts due to subsidiaries	–	–	3,421	4,041
	<u>4,786</u>	<u>4,585</u>	<u>5,295</u>	<u>4,436</u>
Due for payment:–				
Within one year or on demand	<u>4,786</u>	<u>4,585</u>	<u>5,295</u>	<u>4,436</u>

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 31st December, 2009, the Group did not have any exposure to interest rate risk.

(e) Market price risk

The market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

As at 31st December, 2009, the Group did not have any financial instruments exposed to market price risk.

(f) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short-term maturities.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

24. SEGMENT AND ENTITY-WIDE INFORMATION

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Provision of IT services : this segment provides IT related services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products in Hong Kong.
- Supply chain solutions : this segment operates the supply chain solution business in both Hong Kong and the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis :-

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates. Segment liabilities include trade creditors and accruals managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of losses of associate.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

24. SEGMENT AND ENTITY-WIDE INFORMATION (Continued)

(a) Segments, assets and liabilities (Continued)

The following tables present the information for the Group's reporting segments:-

	IT services		Discontinued operations – Supply chain solutions		Unallocated items		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>32,732</u>	<u>38,758</u>	<u>-</u>	<u>10,731</u>	<u>-</u>	<u>-</u>	<u>32,732</u>	<u>49,489</u>
RESULTS								
Segment results	(949)	213	-	1,174	(4,022)	(2,200)	(4,971)	(813)
Interest income	-	6	-	4	1	-	1	10
Share of net losses of associate	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
(Loss)/profit before income tax	<u>(950)</u>	<u>218</u>	<u>-</u>	<u>1,178</u>	<u>(4,021)</u>	<u>(2,200)</u>	<u>(4,971)</u>	<u>(804)</u>
Income tax expense							(3)	(172)
Loss for the year							<u>(4,974)</u>	<u>(976)</u>
SEGMENT ASSETS								
Segment assets	8,031	10,396	-	-	8,317	3,009	16,348	13,405
Associate	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Total segment assets	<u>8,035</u>	<u>10,400</u>	<u>-</u>	<u>-</u>	<u>8,317</u>	<u>3,009</u>	<u>16,352</u>	<u>13,409</u>
SEGMENT LIABILITIES								
Segment liabilities	<u>(2,839)</u>	<u>(3,132)</u>	<u>-</u>	<u>-</u>	<u>(2,097)</u>	<u>(1,453)</u>	<u>(4,936)</u>	<u>(4,585)</u>
OTHER INFORMATION								
Depreciation	<u>256</u>	<u>365</u>	<u>-</u>	<u>78</u>	<u>13</u>	<u>10</u>	<u>269</u>	<u>453</u>
Capital expenditure	<u>21</u>	<u>262</u>	<u>-</u>	<u>12</u>	<u>24</u>	<u>15</u>	<u>45</u>	<u>289</u>

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

24. SEGMENT AND ENTITY-WIDE INFORMATION (Continued)

(b) Entity-wide information

The following table provides an analysis of the Group's revenue based on the origin of the goods and services and an analysis of the Group's non-current assets based on physical location:–

	Hong Kong		PRC		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue from external customers	<u>32,732</u>	<u>48,169</u>	<u>–</u>	<u>1,320</u>	<u>32,732</u>	<u>49,489</u>
Non-current assets	<u>192</u>	<u>421</u>	<u>–</u>	<u>–</u>	<u>192</u>	<u>421</u>

25. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty are as follows:–

- (i) plant and equipment of HK\$188,000 at 31st December, 2009 (2008: HK\$417,000) 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\$1,358,000 at 31st December, 2009 (2008: HK\$1,746,000) were carried at amortised cost, less allowance for impairment. Estimation is made in the determination of the allowance for impairment.

26. 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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

26. DISCONTINUED OPERATIONS (Continued)

- (a) The results of the discontinued operations for period from 1st January, 2008 up to the date of disposal on 12th June, 2008 were as follows :-

	Period ended 12.6.2008 HK\$'000
Turnover	10,731
Cost of sales	<u>(6,337)</u>
Gross profit	4,394
Other income	16
Selling and distribution expenses	(286)
Administrative expenses	<u>(2,946)</u>
Profit before income tax	1,178
Income tax expense	<u>(173)</u>
Profit from discontinued operations	1,005
Gain on disposal of discontinued operations	<u>103</u>
	<u>1,108</u>

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

	HK\$'000
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>5,957</u>

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

26. DISCONTINUED OPERATIONS (Continued)

- (c) The cash flows of the discontinued operations for the period from 1st January, 2008 up to date of disposal on 12th June, 2008 were as follows:–

	Period ended 12.6.2008 HK\$'000
Net cash generated from operating activities	2,337
Net cash used in investing activities	(29)
Net cash generated from financing activities	–
	<hr/>
	2,308
	<hr/> <hr/>

27. 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.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

27. SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme (Continued)

OPEN OFFER

On 8th April, 2009, the Company announced to raise approximately HK\$7.9 million in gross proceeds by issuing that the Company entered into an underwriting agreement to implement an open offer ("Open Shares"). The Company purposed 52,401,000 offer shares ("Offer Shares") at the subscription price of HK\$0.15 per Offer Share. The Open Offer was approved by the independent shareholders of the Company at a general meeting held on 2009 by way of poll.

The Offer Shares, in fully-paid form, were allotted and issued on Tuesday, 2nd June, 2009 and the dealings of the Offer Shares, in fully-paid form, commenced on the Stock Exchange at 9:30 a.m. on Monday, 4th June, 2009.

Immediate after the Open Offer became unconditional, adjustments were made to the exercise price and number of outstanding share options to subscribe for share of the Company granted pursuant to 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	Before adjustments		After adjustments	
	Exercise price of each option	Number of share options	Exercise price of each option	Number of share options
	HK\$		HK\$	
5th September, 2008	0.56	500,000	0.447	626,398

- (ii) On 26th August, 2009, all the share options were exercised.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

27. SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme (Continued)

OPEN OFFER (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:–

	2009		2008	
	Exercise price	Number of options	Exercise price	Number of options
	HK\$		HK\$	
Outstanding at the beginning of the year	0.56	500,000	–	–
Granted during the year	–	–	0.56	500,000
Adjustment during the year	0.447	126,398	–	–
Exercise during the year	0.447	(626,398)	–	–
Outstanding at the end of the year	–	–	0.56	500,000

(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.

OPEN OFFER

On 8th April, 2009, the Company announced a proposal to raise approximately HK\$7.9 million in gross proceeds by issuing 52,401,000 Offer Shares at the subscription price of HK\$0.15 per Offer Share. The Open Offer was approved by the independent shareholders of the Company at a general meeting held on 2009 by way of poll.

The Offer Shares, in fully-paid form, were allotted and issued on Tuesday, 2nd June, 2009 and the dealings of the Offer Shares, in fully-paid form, commenced on the Stock Exchange at 9:30 a.m. on Monday, 4th June, 2009.

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

27. SHARE-BASED PAYMENTS (Continued)

(b) Warrants (Continued)

SHARE SUBDIVISION

On 3rd December, 2009, the Company subdivided the existing issued and unissued shares of HK\$0.05 each into 5 shares of HK\$0.01 each and 789,146,990 shares issued and fully paid since then.

Immediately after the Open Offer and share subdivision became unconditional, adjustments were made to the exercise price and number of outstanding warrants to subscribe for share of the Company.

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

Date of grant	Before adjustments		After adjustments	
	Exercise price of each warrant	Number of warrants	Exercise price of each warrant	Number of warrants
	HK\$		HK\$	
30th September, 2008	0.46	20,900,000	0.07	137,342,857

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

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

	2009		2008	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
	HK\$		HK\$	
Outstanding at the beginning of the year	0.46	20,900,000	–	–
Granted during the year	–	–	0.46	20,900,000
Adjustments during the year	0.07	116,442,857	–	–
Exercise during the year	–	–	–	–
Outstanding at the end of the year	0.07	137,342,857	0.46	20,900,000

Notes To The Consolidated Financial Statements

For the Year Ended 31st December, 2009

27. SHARE-BASED PAYMENTS (Continued)

(b) Warrants (Continued)

SHARE SUBDIVISION (Continued)

- (iv) Details of the warrants granted that remained outstanding as at the end of each reporting period are as follows:-

	<u>2009</u>	<u>2008</u>
Number of warrants outstanding		
Granted on 30th September, 2008 with an exercise price of HK\$0.07	<u>137,342,857</u>	<u>20,900,000</u>
Weighted average remaining contractual life	1.75 years	2.75 years

- (v) The fair value of services received in return for warrants granted was 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 was measured based on the Black-Scholes Model. The contractual life of the warrants was used as an input into this model. Expectations of early exercise were incorporated into the Black-Scholes Model.

	<u>2008</u>
Fair value of warrants and assumptions	
Fair value at the date of grant	HK\$0.049034
Exercise price (adjusted)	HK\$0.07
Expected volatility	63.02%
Expected average warrants life	3 years
Expected annual dividend yield	Nil
Risk-free interest rate per annum	0.11%

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

Financial Summary

RESULTS

	Years ended 31st December,				
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Turnover	82,690	66,872	60,498	49,489	32,732
(Loss)/profit for the year	12,035	438	1,676	(976)	(4,974)

ASSETS AND LIABILITIES

	Years ended 31st December,				
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Non-current assets	2,102	1,409	771	421	192
Current assets	18,835	13,965	17,534	12,988	16,160
Deduct:					
Current liabilities	14,074	5,972	7,091	4,585	4,936
Net current assets	4,761	7,993	10,443	8,403	11,224
Total assets less current liabilities	6,863	9,402	11,214	8,824	11,416
Non-current liabilities	(2,256)	(2,256)	(2,256)	–	–
Net assets	4,607	7,146	8,958	8,824	11,416

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 11:00 a.m. on Monday, 3rd May 2010 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 2009;
2.
 - (a) To re-elect Mr. Fung Pak Chuen, Alphonso as non-executive director;
 - (b) To re-elect Mr. Ng Chik Sum, Jackson as independent non-executive director; and
 - (c) To authorize the board of directors (the “Board”) to fix the directors’ remuneration;
3. To re-appoint PKF as auditors of the Company and authorize the Board to fix their remuneration;

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

4. **“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:

NOTICE OF ANNUAL GENERAL MEETING

- (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 authorized 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
- (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. **“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;

NOTICE OF ANNUAL GENERAL MEETING

- (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.”

6. **“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
Mak Kwong Yiu
Executive Director

Hong Kong, 26th March 2010

NOTICE OF ANNUAL GENERAL MEETING

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 Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Waichai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.