



Computech Holdings Limited
駿科網絡訊息有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 8081)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2004

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report.

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

HIGHLIGHTS

- Turnover was approximately HK\$9,518,000 for the six months ended 30 June 2004.
- The Group recorded a net loss attributable to shareholders of approximately HK\$6,751,000, representing a 42% decrease as compared with the net loss of the corresponding period in 2003.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004.

RESULTS

The board (the “Board”) of directors (the “Directors”) of Computech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2004 together with the comparative unaudited consolidated figures for the corresponding period in 2003 as follows:

		For the six months ended 30 June 2004	For the six months ended 30 June 2003	For the three months ended 30 June 2004	For the three months ended 30 June 2003
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	9,518	31,526	3,122	18,148
Cost of sales		(8,541)	(29,849)	(2,650)	(17,004)
Gross profit		977	1,677	472	1,144
Other income	2	3	10	3	10
Bad debts		(4,170)	(1,936)	(3,982)	–
Selling and distribution expenses		(196)	(2,901)	(112)	(1,528)
Administrative expenses		(3,352)	(7,382)	(1,537)	(4,887)
Operating loss		(6,738)	(10,532)	(5,156)	(5,261)
Finance costs		(13)	(497)	(5)	(324)
Amortisation of goodwill		–	(661)	–	(264)
Loss before income tax		(6,751)	(11,690)	(5,161)	(5,849)
Income tax expense	3	–	–	–	–
Loss for the period		(6,751)	(11,690)	(5,161)	(5,849)
Loss per share					
– Basic (HK cents)	4	(2.81)	(4.87)	(2.15)	(2.44)

CONSOLIDATED BALANCE SHEET

		(Unaudited) At 30 June 2004 HK\$'000	(Audited) At 31 December 2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets		69	220
Development costs		<u>1,379</u>	<u>1,896</u>
		<u>1,448</u>	<u>2,116</u>
CURRENT ASSETS			
Inventories		–	308
Debtors, deposits and prepayments	5	5,906	11,075
Cash and bank balances		<u>1,438</u>	<u>8,494</u>
		<u>7,344</u>	<u>19,877</u>
CURRENT LIABILITIES			
Bank overdraft – unsecured		–	42
Secured bank loan		149	115
Creditors, accruals and deposits	6	9,636	18,660
Value-added tax payable		747	178
Income tax payable		1	1
Amounts due to related companies	7	1,602	461
Amounts due to directors	7	<u>1,295</u>	<u>332</u>
		<u>13,430</u>	<u>19,789</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(6,086)</u>	<u>88</u>
		<u>(4,638)</u>	<u>2,204</u>
FINANCED BY:			
Share capital		24,000	24,000
Reserves		<u>(30,522)</u>	<u>(23,771)</u>
Shareholders' funds		<u>(6,522)</u>	229
NON-CURRENT LIABILITIES			
Secured bank loan		–	91
Loan from a connected party	8	<u>1,884</u>	<u>1,884</u>
		<u>(4,638)</u>	<u>2,204</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June 2004 <i>HK\$'000</i>	For the six months ended 30 June 2003 <i>HK\$'000</i>
Net cash used in operating activities	(8,028)	(6,316)
Net cash from/(used in) investing activities	15	(92)
Net cash from financing activities	999	1,731
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(7,014)	(4,677)
Cash and cash equivalents at the beginning of the period	8,452	2,208
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	<u>1,438</u>	<u>(2,469)</u>
Analysis of cash and cash equivalents:		
Cash and bank balances	1,438	724
Bank overdraft	–	(3,193)
	<u> </u>	<u> </u>
	<u>1,438</u>	<u>(2,469)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003 (Audited)	24,000	19,030	100	(15,619)	27,511
Loss for the period	–	–	–	(11,690)	(11,690)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2003 (Unaudited)	<u>24,000</u>	<u>19,030</u>	<u>100</u>	<u>(27,309)</u>	<u>15,821</u>
At 1 January 2004 (Audited)	24,000	19,030	100	(42,901)	229
Loss for the period	–	–	–	(6,751)	(6,751)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2004 (Unaudited)	<u>24,000</u>	<u>19,030</u>	<u>100</u>	<u>(49,652)</u>	<u>(6,522)</u>

Notes:

1. Basis of preparation

The unaudited consolidated interim accounts (the "Interim Accounts") have not been audited by the auditors of the Company. The Interim Accounts are prepared in accordance with Statements of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements of the Rules Governing the Listing of Securities ("GEM Listing Rules") on the GEM of The Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2003.

2. Turnover

Turnover represents the invoiced value of packaged software products sold and computer related services rendered, net of discounts, value-added tax and business tax. An analysis of the Group's turnover and other revenue is as follows:

	For the six months ended 30 June 2004 HK\$'000	For the six months ended 30 June 2003 HK\$'000
Sales of packaged software products and related services	2,017	4,404
System integration	7,178	26,730
Others	323	392
	<hr/>	<hr/>
Turnover	9,518	31,526
Interest income	3	10
	<hr/>	<hr/>
Total revenue	<u>9,521</u>	<u>31,536</u>

3. Income tax expense

No provision for Hong Kong profits tax has been made in these income statements as the Group has no estimated assessable profits for the period.

The Company's PRC subsidiary is under the Income Tax Law of the PRC for Foreign Investment Enterprises and other relevant regulations, entitled to an income tax holiday for two years from the first profit making year of 1996 and a 50% reduction in income tax for the following six years.

4. Loss per share

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

	For the six months ended 30 June 2004 <i>HK\$'000</i>	For the six months ended 30 June 2003 <i>HK\$'000</i>	For the three months ended 30 June 2004 <i>HK\$'000</i>	For the three months ended 30 June 2003 <i>HK\$'000</i>
Loss				
Loss for the period used in the calculation of basic loss per share	<u>(6,751)</u>	<u>(11,690)</u>	<u>(5,161)</u>	<u>(5,849)</u>
Shares				
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>240,000,000</u>	<u>240,000,000</u>	<u>240,000,000</u>	<u>240,000,000</u>

5. Debtors, deposits and prepayments

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
Trade Debtors	6,407	17,313
Less: Provision for bad debts	<u>1,427</u>	<u>7,775</u>
	4,980	9,538
Other debtors, deposits and prepayments	<u>926</u>	<u>1,537</u>
	<u>5,906</u>	<u>11,075</u>

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 associated with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

5. Debtors, deposits and prepayments *(continued)*

	At 30 June 2004 HK\$'000	At 31 December 2003 HK\$'000
0 – 3 months	–	587
4 – 6 months	20	29
7 – 12 months	1,201	5,591
Over 12 months	5,186	11,106
	<u>6,407</u>	<u>17,313</u>

6. Creditors, accruals and deposits

	At 30 June 2004 HK\$'000	At 31 December 2003 HK\$'000
Trade creditors	5,230	13,055
Other creditors, accruals and deposits	4,406	5,605
	<u>9,636</u>	<u>18,660</u>

The following is an aging analysis of trade creditors:

	At 30 June 2004 HK\$'000	At 31 December 2003 HK\$'000
0 – 6 months	121	839
7 -12 months	960	4,193
Over 12 months	4,149	8,023
	<u>5,230</u>	<u>13,055</u>

7. Amounts due to related companies and directors

The amounts are interest-free, unsecured and repayable on demand.

8. Loan from a connected party

The loan is interest-free, unsecured and not repayable until the Group is in a position to do so.

9. Segment information

The Group conducted its business within one business segment which is the provision of IT solutions to the financial industry in the PRC. The Group also operates within one geographical segment because over 90% of its revenues are generated from customers located in the PRC. Accordingly, no segment information is presented.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded an unaudited consolidated turnover of approximately HK\$9,518,000 for the six months ended 30 June 2004, representing a decrease of approximately 70% as compared with the corresponding period in 2003. The unaudited net loss attributable to shareholders amounted to approximately HK\$6,751,000. This represented a decrease of approximately 42% in the net loss as compared with the corresponding period in 2003. The loss per share for the six months ended 30 June 2004 was HK2.81 cents.

The decrease in turnover of the Group was mainly due to the change in the purchase process of certain customers of the Group in the banking sector to a more centralised processing approach, whereby the IT purchasing requirements of branches and departments are coordinated through common departments or purchasing teams. Such an approach has increased competition among providers of software products and the lower than expected IT expenditure of enterprises in the PRC. Meanwhile, the Group's selling, distribution and administrative expenses for the six months ended 30 June 2004 decreased by approximately 65% as compared with the same period of 2003, which resulted in decrease in net loss for the period. The decrease in selling, distribution and administrative expenses was mainly due to the implementation of cost saving measures since last year as well as the scale down of the Guangzhou and Chengdu office.

Financial resources and liquidity

As at 30 June 2004, the total assets of the Group were approximately HK\$8,792,000 (at 31 December 2003: HK\$21,993,000) including cash and bank deposits of approximately HK\$1,438,000 (at 31 December 2003: HK\$8,494,000) and debtors, deposits and prepayments of approximately HK\$5,906,000 (at 31 December 2003: HK\$11,075,000). The Group's current assets are approximately 0.55 times (at 31 December 2003: 1.00 times)

over its current liabilities whereas the gearing ratio, representing bank borrowing and non-current liabilities over total assets, was 0.23 (at 31 December 2003: 0.10). The Group's non-current liabilities being non-current loan of approximately HK\$1,884,000 (at 31 December 2003: HK\$1,884,000 being non-current loan and HK\$206,000 being secured bank loan) from a connected party of the Company to finance the operation of a PRC subsidiary. The loan is interest-free, unsecured and not repayable until the Group is in a position to do so. Saved as disclosed above, the Group did not have any other borrowings during the period under review.

Capital structure

There was no change in the capital structure of the Group as at 30 June 2004 as compared with that as at 31 December 2003.

Foreign exchange

The Group is exposed to foreign currency risk as most of its payable to hardware suppliers and accounts receivable from the PRC sales are denominated in Renminbi. Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Significant investments and acquisitions

There was no material acquisitions and disposals of subsidiaries and affiliated companies of the Group during the six months ended 30 June 2004.

Charge on the Group's assets

As at 30 June 2004, the Group's available banking facilities to the extent of approximately HK\$149,000 (at 31 December 2003: HK\$206,000) are secured by a motor vehicle with net book value of approximately HK\$69,000 (at 31 December 2003: HK\$220,000).

Capital commitments

As at 30 June 2004, the Group did not have any future plans for material investment.

Contingent liabilities

As at 30 June 2004, the Group did not have any material contingent liabilities.

Employees and remuneration policies

As at 30 June 2004, the Group had 20 employees (at 31 December 2003:39). 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.

Prospects

To extend the Group's business coverage, the Company entered into an agreement with CL International Holdings Limited ("CLIH") on 28 July 2004 to render information technology related services to the customers of CLIH and its subsidiaries (together the "CLIH Group") in Hong Kong and the PRC in the non-banking sector. The Directors consider it to be an appropriate opportunity for the Group to expand its revenue base and enlarge the business scope by acting as a subcontractor of the CLIH Group to provide such services to customers who have existing contracts with the CLIH Group in respect of this segment of its operations. The Directors are of the view that revenue to be generated from the provision of services to the CLIH Group will improve the Group's financial performance.

Meanwhile, the Group will continue to explore and develop new and competitive products. The Group will also look for opportunities to cooperate with new business partners that can help to promote products not currently covered by its existing sales network.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2004, 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 rule 5.61 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	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Mr. Fung Pak Chuen, Alphonso (<i>Note 1</i>)	Interests of spouse	131,688,000	54.87%
Mr. Lo, Richard (<i>Note 2</i>)	Interest of spouse and child under 18	131,688,000	54.87%

Notes:

1. 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 131,688,000 shares in which Aplus is interested under the SFO.

Gumpton Investments Limited (“Gumpton”), which holds 100% of the issued share capital of Win Plus, is taken to have an interest in the 131,688,000 shares in which Win Plus is interested under the SFO.

As 50% of the issued share capital of Gumpton is held by AFS Holdings Limited (“AFS”), AFS is taken to have an interest in the 131,688,000 shares in which Gumpton is interested under the SFO.

AFS is wholly-owned by The General Trust Co. Ltd. (“General Trust”). General Trust is the trustee of AFS Trust, one of the beneficiaries of which is the spouse of Mr. Fung Pak Chuen, Alphonso. Mr. Fung Pak Chuen, Alphonso is taken to have an interest in the same 131,688,000 shares by virtue of his spouse’s interest under the SFO.

2. Ardian Holdings Limited (“Ardian”) has a 50% interest in the issued share capital of Gumpton and is accordingly taken to have an interest in the 131,688,000 shares in which Gumpton is interested under the SFO.

Ardian is wholly-owned by General Trust. General Trust is the trustee of Ardian Trust, the beneficiaries of which include the spouse and a child (who is under 18 years of age) of Mr. Lo, Richard. Mr. Lo, Richard is taken to have an interest in the same 131,688,000 shares by virtue of his spouse’s and his child’s (who is under 18 years of age) interest under the SFO.

Save as disclosed above, as at 30 June 2004, none of the Directors of the Company has any interests and short positions in the shares, 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 rule 5.61 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, so far as was known to any Director of the Company, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company pursuant to section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Hitachi, Ltd.	Beneficial owner	60,000,000	25.00%

Name	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Aplus	Beneficial owner	131,688,000	54.87%
Win Plus (<i>Note 1</i>)	Interest of a controlled corporation	131,688,000	54.87%
Gumpton (<i>Note 2</i>)	Interest of a controlled corporation	131,688,000	54.87%
AFS (<i>Note 3</i>)	Interest of a controlled corporation	131,688,000	54.87%
Ardian (<i>Note 3</i>)	Interest of a controlled corporation	131,688,000	54.87%
General Trust (<i>Note 4</i>)	Interest of a controlled corporation	131,688,000	54.87%
Mrs. Fung, Pui Lan, Angela (<i>Note 5</i>)	Beneficiary of trust	131,688,000	54.87%
Mrs. Lo, Lilian (<i>Note 6</i>)	Beneficiary of trust	131,688,000	54.87%
Mr. Lo, Theodore (<i>Note 6</i>)	Beneficiary of trust	131,688,000	54.87%

Notes:

1. Win Plus holds 84% interest in the issued share capital of Aplus and is accordingly taken to have an interest in the 131,688,000 shares in which Aplus is interested under the SFO.
2. Gumpton, which holds 100% of the issued share capital of Win Plus, is taken to have an interest in the 131,688,000 shares in which Win Plus is interested under the SFO.

3. Gumpton is owned as to 50% by AFS and 50% by Ardian. Accordingly, AFS and Ardian are each taken to have an interest in the 131,688,000 shares in which Gumpton is interested under the SFO.
4. AFS and Ardian are in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 131,688,000 shares in which AFS and Ardian are interested under the SFO.
5. General Trust is the trustee of AFS Trust. Being a beneficiary of AFS Trust, Mrs. Fung, Pui Lan, Angela is taken to have an interest in the 131,688,000 shares in which General Trust is interested under the SFO.
6. General Trust is also the trustee of Ardian Trust. Mrs. Lo, Lilian and Mr. Theodore Lo are beneficiaries of Ardian Trust and therefore are taken to have an interest in the 131,688,000 shares in which General Trust is interested under the SFO.

Save as disclosed above, as at 30 June 2004, so far as was known to any Director of the Company, no other persons had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company pursuant to section 336 of the SFO.

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

As at 30 June 2004, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTERESTS

As at 30 June 2004, 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 competes 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.

AUDIT COMMITTEE

As required by rules 5.29 to 5.32 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group.

The Group's unaudited consolidated results for the six months ended 30 June 2004 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2004, 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 PRACTICES AND PROCEDURES

The Company has complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning management responsibilities of the Board throughout the six months ended 30 June 2004.

By order of the Board
Fung Pak Chuen, Alphonso
Chairman

Hong Kong, 10th August, 2004